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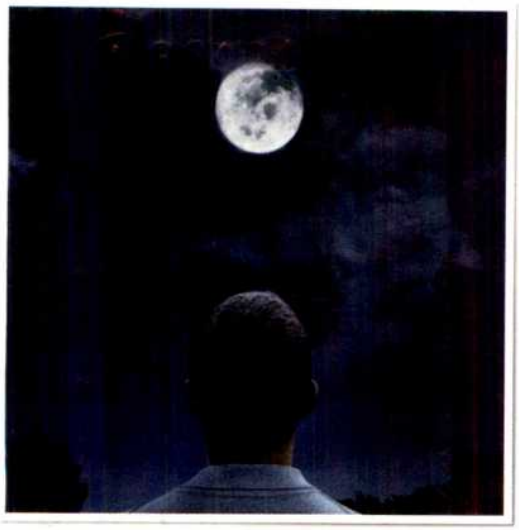

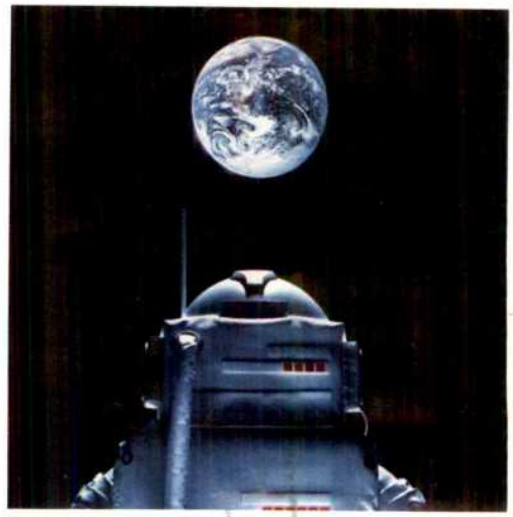

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Looking inwards

❑ This is with reference to the story 'Defence Inc.' (*BW*, 17 September 2007). Why would a seemingly obvious impetus to growth of the country's economy not be tapped into? Not only does using Indian technology ensure that the monies stay within the country, but the R&D involved, as pointed out by the author, will benefit civilian life too. The story brought out well how the government is being shepherded into buying archaic technology of foreign lands by a lobby of retired bureaucrats who, for the sake of making quick money, are jeopardising the country's security and development. If the Defence Research and Development Organisation itself wants greater participation from the private sector, it is time the government sat up and took notice.

Mansi Devasthalee, *via e-mail*

SPARKING CONTROVERSY

Your story on the TVS and Bajaj patent feud ('All Sparks, No Fire' *BW*, 17 September, 2007) was rather well done. Your revelation that the technology in question has, in fact, already been patented by two Japanese inventors, has completely shaken the grounds for any dispute between the two companies. It just reflects on the 'me too' attitude of companies and their urge to get ahead of their competitors that leads them to actions without any credence. Speaks of the lack of intellegent research.

Jasdeep Sodhi, *via e-mail*

INANIMATED

Your story 'Bollywood Toons In' (*BW*, 17 September 2007) is misleading. Just because a few production houses have come up with few animation films or have used animation in some films, does not mean that animation is the medium of the future and it will, indeed, be a parallel revenue stream. You have cited some 6-7 animation films, and to say that this has set a trend is misleading, to say the least.

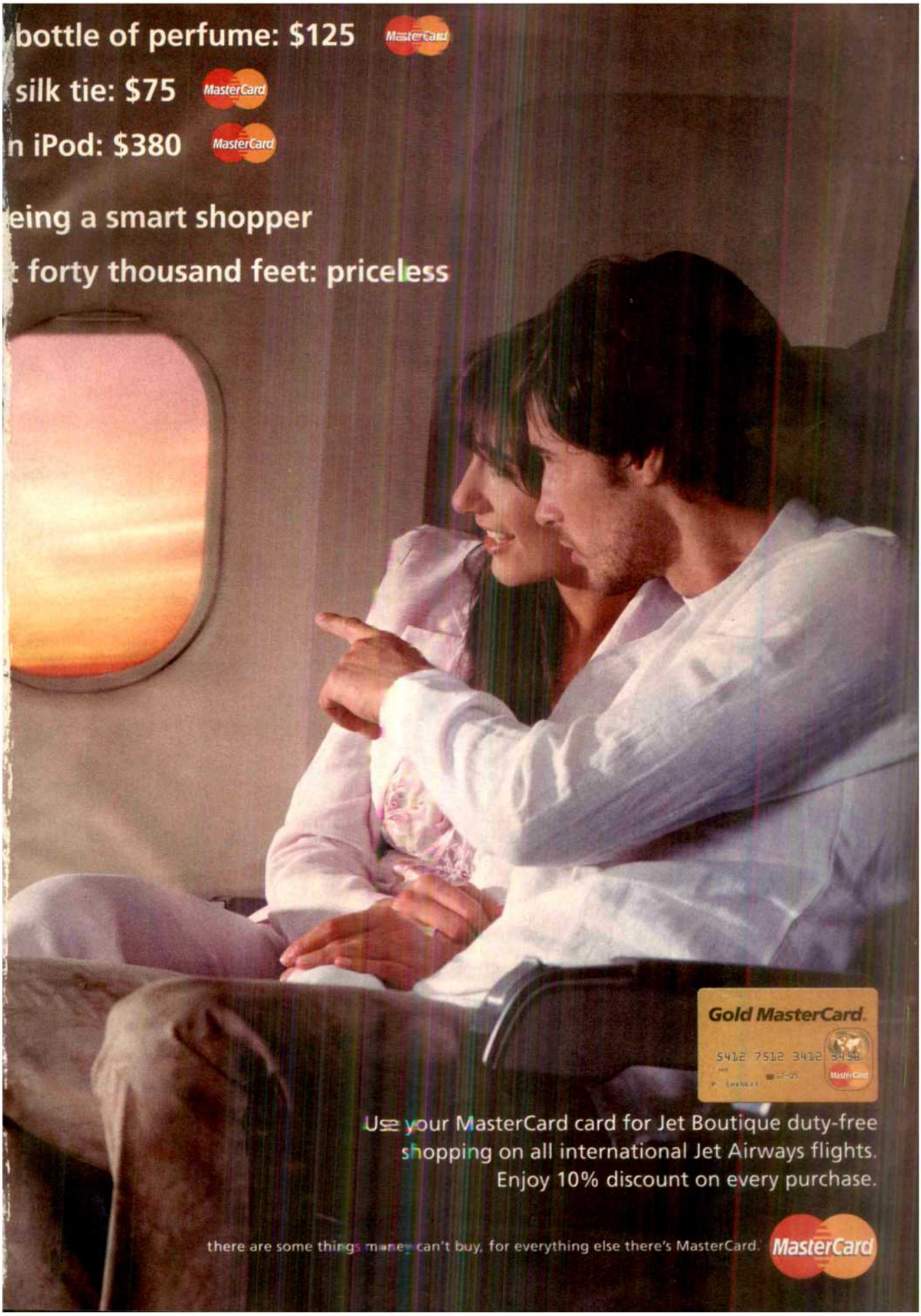
Indrayni Mutum, *via e-mail*

DUAL PROBLEMS

In your story, 'In Good Time' (*BW*, 10 September, 2007), the author has prudently supported two time zones for India. However, I think this will make a new clutter. Both the zonal divides — eastern and western — will ask for new infrastructure establishment because there is no uniformity. It will require several dictates and dos and don'ts from governments. There are plus and minuses of the time zone bifurcation demand, let us see what happens.

Dharmendra Kumar Rai, *via e-mail*

Write in at
editor@bworldmail.com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CLOCKWISE (FROM LEFT): Mukesh Ambani (Reliance Industries), Kumar Mangalam Birla (Aditya Birla Group), Kushagra Bajaj (Bajaj Hindusthan), Ratan Tata (Tata Group), Anil Ambani (ADAG), Rahul Bajaj (Bajaj Auto)

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Companies such as Reliance Industries, Tata Steel and Hindalco Industries, among others, continue to play a key role in India's glorious economic run. No wonder their promoters are acquiring greater stake in them.

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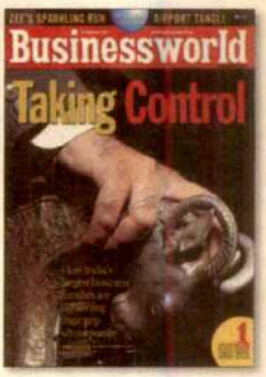
Greed and fear

COMING back to India after a decade, the landing was smooth. But the passengers' rush for the exits was anything but. It seems as if we are always scared of losing something: our place in the immigration line, our luggage on the baggage carousel, the first cab in the taxi rank, the first seat on the bus. Even in this time of plenty, we still fear that there will be shortages, that our destiny is at the mercy of capricious fate.

This week's cover story reflects another side of that fear. Despite having controlled the destiny of their corporations for decades, business families are increasingly disposed towards consolidating that control by acquiring a large enough stake in their companies that will allow them to do three things: First, they want to ensure that they can build on the fortunes of their companies and take advantage of the growth story that is India. Second, they want to thwart any attempt at being taken over by overseas investors with deep pockets and large appetites who see these companies as vulnerable targets. Third, they want to take advantage of the premium that their significant slice of ownership will command over the prevailing market price, should they decide to sell out at a later date.



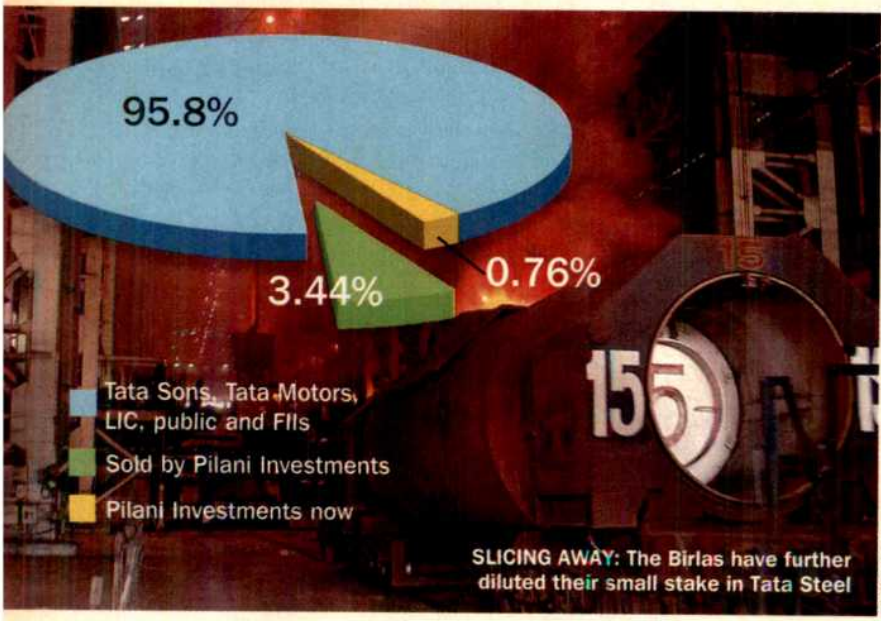
Which begs the question: as we integrate into the larger world, will it matter whether the ownership structure of corporate India becomes similar to those of the developed West, or does our own brand of family capitalism — as *The Economist* called it — work better? Corporate finance theorists have researched the relationship between management, ownership and company performance; there is considerable difference of opinion on how ownership structure affects firm value, as reflected in stock prices. Whichever one we pick, the blessing is a mixed one. Whether it's professional management or owner-manager, investors in all companies are vulnerable to abuse.

As I stood outside the airport waiting to be picked up, I was struck by the contrast between the inside of the airport and the outside: the sense of control versus the assault on the senses: the sights, the sounds, the smells, the chaos, the excitement that was a reflection of what I could expect when I took this job at *BW*. It's good to be back.

Srikanth Srinivas, Deputy Editor

TATA-BIRLA

Friends no more



SLICING AWAY: The Birlas have further diluted their small stake in Tata Steel

GOUTAM ROY

YOU won't see the name of a certain Pilani Investments if you scan the list of shareholders who own more than 1 per cent of Tata Steel's equity, a testimony to the soured friendship of India's two oldest business groups — the Tatas and the Birlas.

Pilani, a custodial investment firm of Birla family members, including reigning scion Kumar Mangalam Birla, has quietly pared down its ownership in the Jamshedpur-based steel giant to less than 1 per cent. It was 4.2 per cent when Kumar's father, the late Aditya Birla, and Tata Group Chairman Ratan Tata were backslapping buddies. The investment made during Birla Group founder G.D. Birla's time was more of a budding cordial relationship than a pure investment.

At one point of time, Pilani Investments owned more stock of the century-old steel maker than the Tatas' did. It now has just 440,000 shares, less than what some of the foreign financial institutions have. At the current market price, Birla's shares translate to Rs 405 crore.

Till his death in 1995, Aditya Birla was a Tata Steel board member, and his son Kumar continued the tradition for more than a decade. He resigned a year ago after the two groups got into a public spat over the running of Idea Cellular, a mobile phone company joint venture from their halcyon days.

Birla alleged that his partner was unwilling to reveal the identity of Tata group companies that owned shares in Idea and that it was coming in the way of getting loans. Tatas were getting back at Birla for scuppering Idea's expansion plans in early 2000 when rivals such as Hutch and Bharti Airtel were steaming ahead. The Birlas, then, were in two minds whether to continue with Idea or walk out, even after the Tatas tied up with BPL Mobile (now sold to the Ruias of Essar) to form a three-way venture Birla-Tata-BPL.

Last year, the Tatas ended the relationship by selling their share to the Birlas at Rs 40 a share — the price of the share has since doubled — to focus on their telecom business that operates on the Code Division Multiple Access (CDMA) technology. Tatas believe they were being pressured by Birlas to sell their Idea shares cheap.

Till he resigned in 2006, Kumar Birla attended only one of the five board meetings in that year. In 2005, he cast his dissent vote against Tata Steel's investments in Idea Cellular, asserting his view as an independent board member. He said Tata Steel should focus on steel and not unrelated diversification. Kumar's resignation was seen as the end of the friendship with Tata, and now both are fighting a legal battle over Idea Cellular.

But Birla patriarch and Kumar Mangalam's grandfather B.K. Birla has publicly stated that the Birlas were not in a hurry to sell the 440,000 Tata Steel shares. An Aditya Birla Group spokesperson also said they have not sold any of those shares recently.

One of Aditya Birla's biographies said there could have been many joint ventures between the two groups thanks to the cordial relationship between Aditya Birla and Ratan Tata. That is now a mere chimera. ■

BAIJU KALESH

AFP

"I decided to draw the line and bring about a change to the political situation."

Shinzo Abe, who resigned on 12 September as the Prime Minister of Japan

SIXTH PAY COMMISSION

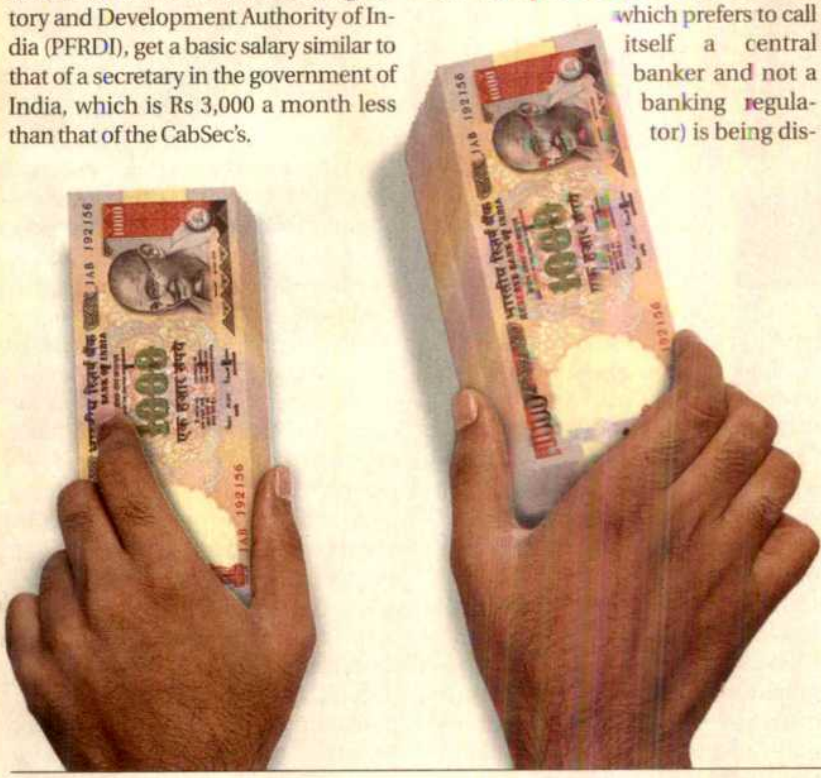
Will regulators get a decent deal?

INDIA'S regulators get a pittance. Today, the Reserve Bank of India (RBI) governor earns the most amongst regulators, about Rs 60,000 a month, plus perks including a car, telephones and accommodation. His salary is equal to that of the country's topmost bureaucrat, the Cabinet Secretary. Contrast this less-than-a-million-rupee package with the salary of K.V. Kamath, the CEO of ICICI Bank, one of the many banks the RBI oversees. Kamath took home a cool Rs 2.48 crore in 2005-06, 25 times more than what the RBI governor did.

Other regulators, including the chairmen of Insurance Regulatory and Development Authority (Irda), the Securities and Exchange Board of India (Sebi), the Telecom Regulatory Authority of India (Trai), and the Pension Fund Regulatory and Development Authority of India (PFRDI), get a basic salary similar to that of a secretary in the government of India, which is Rs 3,000 a month less than that of the CabSec's.

Till date, there has never really been any benchmarking of regulators' packages either with their global counterparts or within the country. The job, by no means, is comparable to that of any private sector honcho, because, on many occasions, the regulator has to speak his mind— even contrary to the will of the government that gives him the job.

For the first time, the issue of regulators' compensation (except the RBI, which prefers to call itself a central banker and not a banking regulator) is being discussed by the Sixth Pay Commission, which will submit its recommendations to the government before Budget 2008-09. Poor salaries put off even the best among professional enthusiasts in the private sector from taking up a regulator's job. In fact, before M. Damodaran took charge as chairman of the Securities and Exchange Board of India, the finance ministry did get in touch with top professionals in the private sector for the coveted seat, confirmed a finance ministry official. But, none was interested, because of poor remuneration.



No wonder, the government, too, has relied largely on retired bureaucrats to fill up vacancies at regulatory bodies. Trai, Irda and PFRDA are occupied by retired secretaries. Here too, the government acts stingy by disallowing them pension for the years already served. Retired civil servants-turned-regulators never complained hitherto, because, as one serving regulator sarcastically observes, they were poorly paid throughout their government career.

The Sixth Pay Commission may do well to de-link salaries of regulators from that of civil servants and fix them such that they could get top-class professionals who may be better suited for the job. In the United Kingdom, regulators' salaries do not exactly match that of private sector CEOs, but are not so far from them either. ■

P. VAIDYANATHAN IYER

CAR THAT MARVELS!

The **BMW Art Cars** embellished by world-renowned artists **Andy Warhol** and **Roy Lichtenstein** at an exhibition in Mumbai on 6 September 2007. A 10-day travelling exhibition by BMW is part of a museum tour that will keep these cars on the road until 2010

SUBHABRATA DAS

PAKISTAN

Democracy in exile

MASS APPEAL: Nawaz Sharif is likely to exploit the rampant anti-Americanism in Pakistan

AFP

PAKISTAN'S democracy now has a foreign face. That is a strange truth, which has been lost in the blaze of flashbulbs at Islamabad airport's VIP Rawal Lounge and the drama of exiled Prime Minister Nawaz Sharif's summary deportation to Saudi Arabia. It is the Saudis and the Lebanese who are charting the course of democracy in Pakistan, egged on by the Americans.

Saudi Arabia's chief of intelligence, Prince Muqrin bin Abdul Aziz, admitted as much when he read out a written statement in Islamabad on the eve of Sharif's return from exile after meeting General Pervez Musharraf along with Saad Hariri, son of assassinated Lebanese Prime Minister Rafiq Hariri.

According to the statement, Saudi King Abdullah "considers the stability and security of Pakistan the same as that of Saudi Arabia". Hariri was the go-between in 2000 in brokering a deal between Sharif and Musharraf under which the Saudis agreed to host Sharif during his exile.

Because of Pakistan's role in the global war against terrorism, because Pakistan is the fountainhead of terror anywhere in the world and because of its location on the crossroads of South and Central Asia, the future of Pakistan is no longer an issue that can be decided by its people alone. But none of the current foreign players on the Pakistani scene — the Americans, the Lebanese, the Saudis or the British — is interested in promoting democracy in Pakistan beyond paying lip service to the idea.

Judging by the expressions of popular discontent, it would seem that a return to democracy is not an issue that very much agitates the Pakistani people either. That may well be because America has trumped everything else in popular imagination as the single biggest problem in Pakistan. Musharraf's willingness to be Washington's virtual quisling in Islamabad, the way he has allowed American missiles fired by Americans to kill Pakistanis suspected of being terrorists — falsely as it turned out — his blind eye towards American violations of Pakistani sovereignty, the way middle-ranking US officials have been allowed to have a free run of even their country's Election Commission in the run up to the election of a President, have all inflamed anti-Americanism among all sections of Pakistanis.

The situation in Pakistan is eerily similar to what existed in Iran just before the return of Ayatollah Khomeini to Tehran on 1 February 1979 after 14 years of exile. Virtually the entire Iranian people came together on the streets not to usher in democracy, but to get rid of Shah Reza Pahlavi, "the American snake whose head must be smashed with a stone", as Khomeini demanded in one of his many sermons from exile.

That may well change if Sharif is able to ignite a mass movement against Musharraf's rule. He is likely to exploit the rampant anti-Americanism in Pakistan and make the democracy issue a mere façade of any such movement.

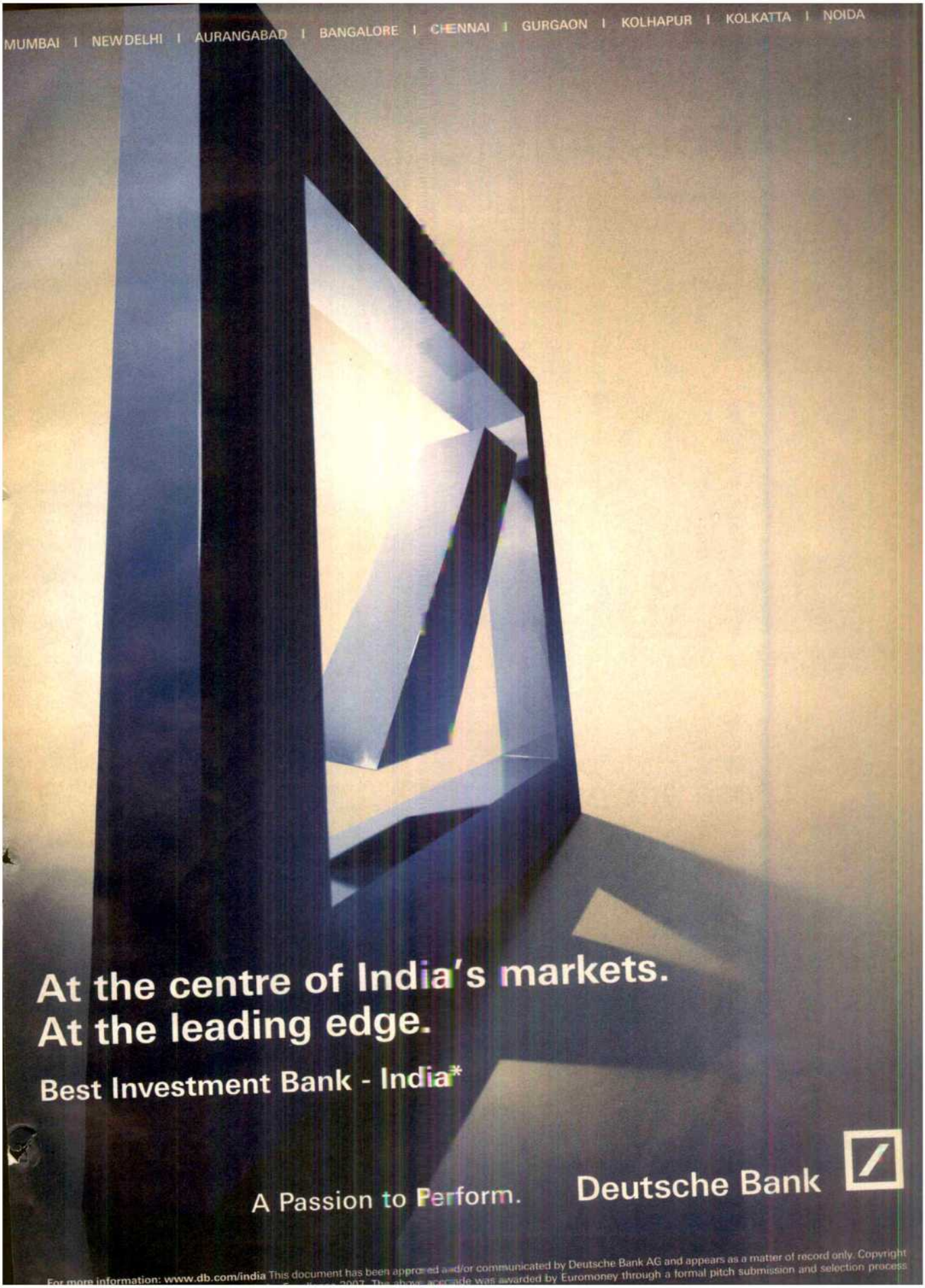
All this is not to write off Musharraf. He may not yet have reached a dead end and may well survive the current crisis, which is about as serious as the one he faced on 12 October 1999 when Sharif tried to prevent his aircraft from landing at Karachi airport.

Musharraf still represents the 'establishment' that has run Pakistan for much of its existence and he continues to protect the interests of that establishment. What is really undermining Musharraf is the worry among sections of the establishment that the General's closeness to the Americans may permanently damage their place in the country on account of what the US represents today in the eyes of most Pakistanis. It is not unlikely that if it comes to the crunch, the establishment may opt to replace Musharraf with another General under whom their interests are secure. But it is inconceivable that democracy as Indians understand it will flourish in Pakistan any time soon. ■

K.P. NAYAR

The author is the Washington-based chief diplomatic editor of The Telegraph

M. Veerappa Moily, former chief minister of Karnataka, is tipped to head the **13th Finance Commission**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INSURANCE

Three-point Play

BLOOMBERG

PRIZE CATCH: HSBC will now get access to an audience it could only dream of till now

FOR the newest kid in the insurance family, products, reach and distribution have been offered on a silver platter. Bangalore-based Canara Bank has joined hands with HSBC Insurance and Oriental Bank of Commerce (OBC) to form an insurance joint-venture. And this one promises to be different. The name, sure, is: Canara HSBC Oriental Bank of Commerce Life Insurance Company.

In terms of sheer business potential, it has the looks of a winner. It will have access to 40 million customers and a countrywide network of 3,600 branches. That's what Canara Bank and the Kolkata-based OBC bring to the table. The new entity can hawk its products and services across every price and customer point: from the high-brow customer base of HSBC to the earthy folk that the two state-run banks cater to.

In the new company, capitalised at $80 million, Canara Bank will hold 51 per cent, HSBC 26 per cent, and OBC 23 per cent. HSBC Insurance is the knowledge partner with its product range. HSBC will provide a range of management services, which will include nominating executives for certain senior roles.

What about HSBC's potential competition? Citibank doesn't believe in playing second fiddle and Travelers, Citigroup's insurance brand, never set foot here. Others with a considerable footprint — StanChart, ABN AMRO — hawk third-party offerings. Amsterdam-based ING Group, which holds close to 45 per cent in ING Vysya Bank, is the only instance of a foreign bank being owned by an insurance company.

Through this venture, HSBC will get access to an audience it could only dream of till now. This partnership with the two Indian banks is also in line with HSBC Holdings Group Chairman Stephen Green's positive outlook on India and its own strategy of targeting emerging markets.

If the venture proves successful, the partners can make a killing by offloading their stakes at a later date. The insurance business of ICICI Bank has been valued at an eye-popping $11 billion. Talk about assured returns. ■

RAGHU MOHAN

MRO

Lease a licence

EVER thought of renting your factory? A new trend called manufacturing resource outsourcing (MRO), where companies lease manufacturing facilities in low-cost countries, seems to be emerging.

New York-based $7.8-billion engineering and manufacturing company ITT Corporation has signed a deal with Mumbai-based Today's Petrotech, a subsidiary of Today's Writing Products. ITT makes radar jamming devices for military planes, specialty shock absorbers for fluid transportation and pumps for water treatment industry.

Today's Petrotech will set up a facility in Baroda in Gujarat to assemble, package and test parts for ITT's pumps. ITT will lease these facilities for 10 years and pay Today's Petrotech $1 million a year as rental.

ITT will also give a non-revocable bank guarantee equal to 10 years of lease rentals, which will cover the risk of Today's investment in putting up the plant.

For ITT, the deal helps protect its product and technology patents. ITT will also set up an application engineering centre for designing the parts manufactured at the facility.

ITT's rivals KSB, Sulzer, Ebara and Flowserve have already set up shop in India — through a joint venture or a fully owned subsidiary. Ebara has partnered with Kirloskar's, while Flowserve and KSB have gone solo.

Last year, ITT's Chairman, President and CEO Steven R. Loranger had said that ITT would source products worth $300 million from low-cost regions.

This could be the beginning of large outsourcing contracts in manufacturing. Industry watchers believe that foreign companies in sensitive industries may follow ITT's footprints. ■

BAIJU KALESH

TOP 10 IPO MARKETS

US	(29.4)
China	(25.3)
Brazil	(18.6)
Russia	(16.1)
UK	(10.9)
Germany	(7.8)
INDIA	(6.4)
Hong Kong	(6.0)
Italy	(4.5)
Bermuda	(4.3)

Figures in brackets are proceeds raised in $ billion between 1 January and 10 September 2007
Source: Thomson Financial

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M&A Keep pace with the latest news and deals in the Indian and Asian merger and acquisition markets with the *BW* fortnightly M&A Tracker.

Acquiring for valuations

BUY some, sell some. In the space of a week, the Prathap C. Reddy-promoted Rs 720-crore Apollo Hospitals group, headquartered in Chennai, has done both. First, Apollo hospitals' 48 per cent BPO subsidiary Apollo Health Street bought US-based BPO company Zavata for $170 million (Rs 697 crore) on 30 August 2007 at a valuation of 10 times the EBIDTA.

Then, two days later, its flagship company — Apollo Hospitals Enterprise — announced that it will issue more than 7 million shares (13.64 per cent of total equity) to private equity fund Apax Partners in a preferential issue for $104.89 million (Rs 430 crore). The deal is the largest Apollo has done to date, and is being funded by equity and debt in 1:2.75 ratio by UK's Barclays Capital and Bank of India. The Reddy family also issued themselves warrants that would convert to 3 per cent of the capital of Apollo Hospitals.

For Apax, a US-headquartered fund with $20 billion (Rs 82,000 crore) under management across sectors, this was the first investment in India after setting up shop in the country last year. Apollo says it will use the funds from Apax to meet its future growth plans of setting up new hospitals and expanding healthcare facilities.

This is Apollo Health Street's fourth BPO acquisition since its inception in 2001. The strategy seems to be to ramp up its BPO presence, especially in the lucrative US market, while raising funds in the core business.

Zavata, which has an offshore delivery centre in India, claims to be an end-to-end service provider for the healthcare sector. It provides healthcare revenue cycle management, healthcare administration, medical management, database management, CRM, technical help desk services, etc. "Together we have over 75 customers in the payor and provider side, and total contract value of $120 million (Rs 492 crore)," says Sangita Reddy, managing director of Apollo Health Street. As a result, it will now compete with IT services companies such as Mumbai-based Tata Consultancy Services (TCS), Wipro of Bangalore, and Mumbai based Firstsource.

BW-Thomson Financial M&A Tracker

August-September The Asian M&A market saw 4,897 deals worth $227.60 billion as on 10 September. South Korea was the second largest market with 353 deals worth $44.64 billion.

Top 10 Asia deals

TARGET	ACQUIRER	DEAL SIZE ($m)
Korea Exchange Bank	HSBC Holdings	6,480.93
SK Energy	SK Holdings	2,025.86
Woongjin Coway	Woongjin Holdings	972.35
China Eastern Airlines	Undisclosed investor	923.83
Cosmos Bank Taiwan	Undisclosed investor	900.00
Gateway Inc.	Acer Inc.	761.54
ASE Test	Advanced Semiconductor	725.22
Korea Life Insurance	Hanwha Group	698.66
Jushi Group	China Fiberglass	659.93
Bella Vista Holding	ChinaElegance Resources	600.13

Top 10 India deals

TARGET	ACQUIRER	DEAL SIZE ($m)	STAKE (%)
MedAssist Inc.	Firstsource Solutions	330.00	NA
Zavata Inc.	Apollo Health Street	170.77	100
Apollo Hospitals	Apax Partners Worldwide	104.89	NA
Nagarjuna Construction	Blackstone Group	150.39	NA
Nagarjuna Oil	Tata Sons	86.10	NA
Aster Infrastructure	New Silk Route	56.84	NA
Pegevo Bcheer	SD Agchem (Europe)	53.73	100
AEI Cables	Paramount Communications	26.77	100
MT Educare	Helix Investments	12.00	30
Biomeda	Elder Pharmaceuticals	6.80	51

Figures for 26 August-8 September 2007

BLOOMBERG

AN EXPERIMENT FOR GROWTH: Apollo Health Street's public listing is also likely to benefit the parent company Apollo Hospitals

Interestingly, the Zavata acquisition comes on the heels of Firstsource's acquisition of MedAssist of the US for $330 million (Rs 1,353 crore), also in August. The addressable market for the healthcare outsourcing industry in the US, estimates Apollo's Reddy, is $78 billion (Rs 3,19,800 crore). Naturally, Indian BPO companies are quickly adding this vertical to their bouquet of offerings.

Sangita Reddy, however, points out that Apollo is not trying to buy its way into growth. "We have been growing at 70 per cent compounded year-on-year and acquisition is just one part of our growth story," she says.

Apollo Health Street needs revenues and critical size as it is preparing for a public listing. Offloading share will unlock value for private equity shareholders such as Singapore-based private equity group Temasek, and the Reddy family, which owns 12 per cent equity in the company. The parent company Apollo Hospitals is also likely to benefit from the public listing as it controls 48 per cent.

BPO companies are commanding very high valuations on the Indian stockmarket. Firstsource commands a price/earnings (P/E) ratio of 50, while India's largest BPO company Genpact commands a P/E of 78 times. They compare favourably with Apollo Hospitals, which commands a P/E of just 34 on the National Stock Exchange. So, it should come as no surprise that the Reddy family is buying and consolidating its BPO business, while diluting its stake in hospitals. ■

GINA S. KRISHNAN

Top Asia markets

Figures for 1 January-10 September 2007

India financial advisory rankings

Figures for 1 January-10 September 2007

League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Note: Figures are based on ultimate parentage, meaning than an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date.

Log on to www.businessworld.in for the complete list

PORTS

Caught in the waves

AWAITING CLEARANCE: Port infrastructure is set to undergo a major overhaul

BLOOMBERG

THE Model Concession Agreement (MCA) on private-public participation in port projects is stuck between the devil and the deep sea. The Planning Commission and the shipping ministry are yet to arrive at a consensus on the details of implementation of the MCA. The ministry supports the broad principles of upfront tariff fixation and rewarding efficiency. But the two bodies don't agree on the finer specifics.

The Planning Commission wants operators to be compensated if traffic fails to match the initial projection. But the ministry disagrees. "Traffic risk in ports is not high and depends on the quality of service," says a shipping ministry official. "This clause could lead to manipulation by operators."

According to the Ministry of Finance, the cargo handled by India's major ports has annually increased by 9.5 per cent over the past three years.

Once the MCA is implemented, private players would have to upgrade their infrastructure to qualify for tariff hikes. The MCA is expected to specify norms for the required infrastructure on the ports, such as the number of cranes deployed. Also, to help bidders make an informed choice, port tariffs are expected to be set upfront, before the bidding process starts.

Analysts cheer the move. "If private players know in advance how the tariffs would change in time, it would avoid confusion later," says Arvind Mahajan, executive director of KPMG.

The agreement is also expected to set efficiency parameters such as turnaround times, dwell time at the port, and crane moves per hour. ■

VISHAKA ZADOO

TRUCK RENTALS

Downhill ride

TRUCK rental charges seem to be settling down after the dramatic rise following the Supreme Court ban on overloading in December 2005. The ban had forced truck operators to carry less cargo as a result of which they had to make more round-trips. This, in turn, called for higher charges.

According to the April-July quarterly report by the Delhi-based Indian Foundation of Transport Research and Training (IFTRT), rental charges declined by 6-10 per cent along trunk routes. IFTRT's September update says that rentals have further declined by 1.5-3.0 per cent.

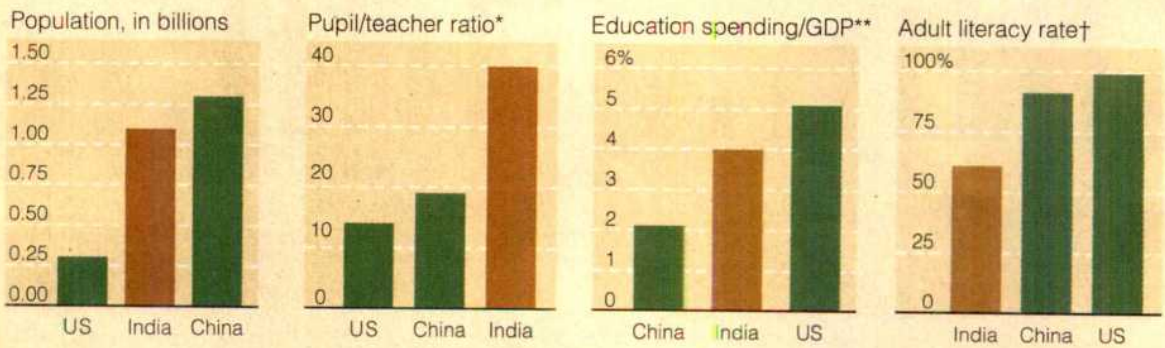
The main factor behind the decline is a drop in cargo from the manufacturing sector. This is substantiated by a dip in the index of industrial production. While the index growth during April-July was 9.6 per cent, it was 12.4 per cent last year.

Truckers remain hopeful as the festival season approaches, but it remains to be seen whether freight traffic changes its direction or continues its downhill ride. ■

JAYANT SINGH

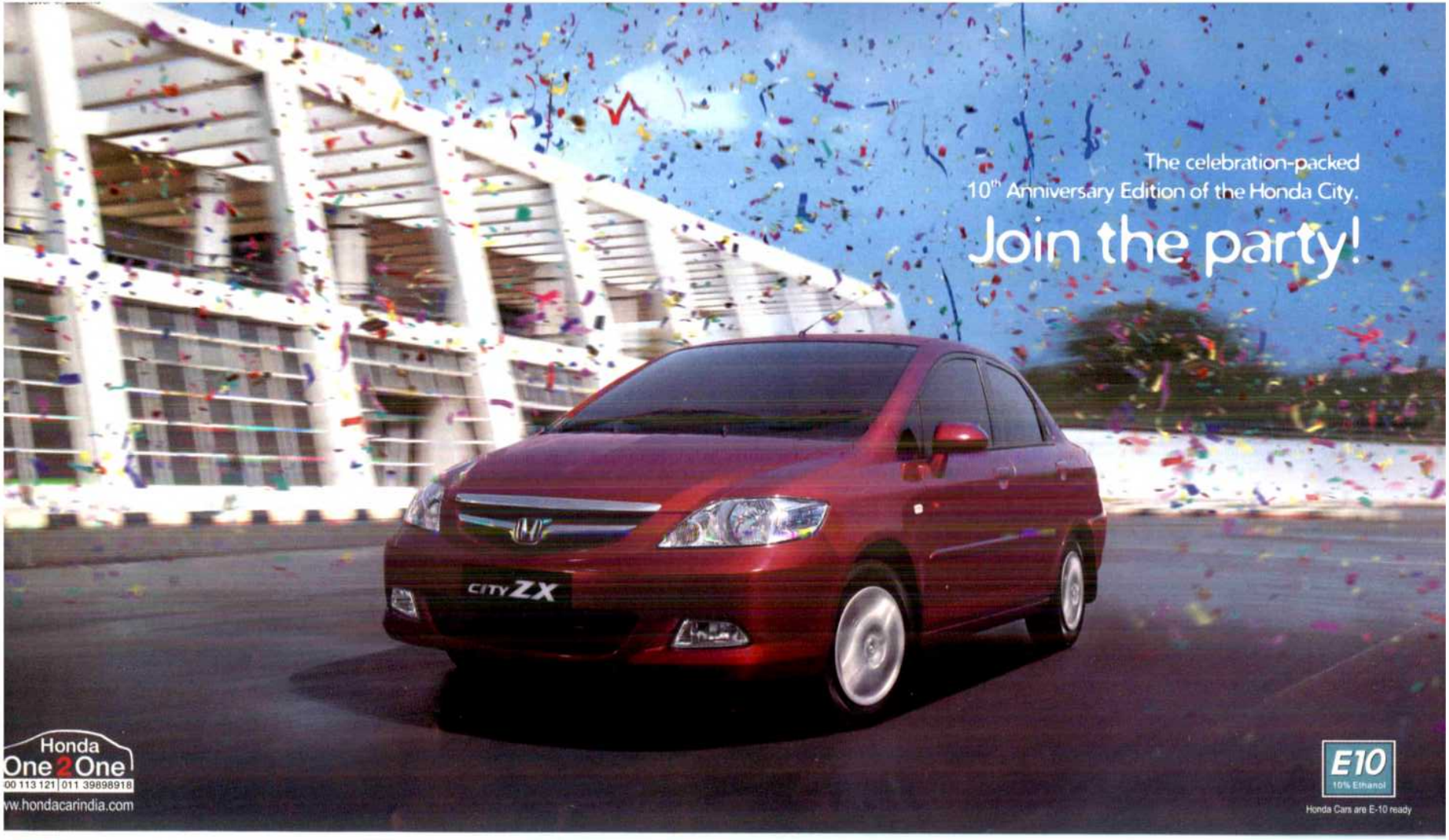
Failing Grades

India lags China and the US in some key education measures.



*Primary school; India figure is for 2004; China and US, 2005. **1999
†Age 15 and older who can read and write; India figure is for 2001; China, 2000; US, 2003.
Sources: Bloomberg, CIA World Factbook, World Resources Institute, Unesco Institute for Statistics

Bloomberg



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MEDIA ROOM

PTI

IN THE NAME OF NEWS: 'Sting' operations have crossed the limits of decency

WE knew it all along. Yes, news channels have spun news in pursuit of better ratings. But it took a fake 'sting' operation by Hindi channel Live India at a government school in Delhi to show us to what depths some of the channels have sunk.

It's a seamy story of a school teacher purportedly blackmailing her girl students into prostitution, as told on TV by one of her 'victims', and the teacher caught on camera striking a deal with a reporter masquerading as a client. Incensed by the report, a mob of parents meted out vigilante justice, and a near-riot ensued, and the teacher was arrested. But the 'victim' on camera turned out to be an accomplice of the reporter, both of whom are now in jail. It was all fiction, not fact. The accused teacher has been freed, but bruised and battered, her life in tatters.

There is lots of blame to go around: the reporter who did the story, the mob that took law into its own hands, and the unethical editorial behaviour of the channel that allowed it all to happen. Live India deserves to lose its licence and be taken off the air. It is obvious it did not have the necessary editorial filters to detect plants of this type.

The episode raises larger questions: about audiences, the line between editorial freedom and regulatory control, the mad rush for ratings and, thus, advertising money, and about the companies whose products get advertised.

The Information and Broadcasting Ministry has given notice to the broadcaster, Live India, of its intent to withdraw the channel's up-linking licence. That said, Indian news channels have a self-regulatory body, from which not a whisper has been heard.

In the spirit of news as entertainment, 'stings' have been used before, but not fake ones. Another Hindi channel, India TV, enticed out-of-work actor Shakti Kapoor with a female decoy to a hotel room, and then claimed he was a sex maniac. From a reel-life villain, he became a real life one.

In TV channel economics, advertising is crucial: greater viewership ratings mean more advertising money. The fake 'sting' worked wonderfully for its broadcaster: Live India's channel share shot up to 10 per cent rating on 30 August — the day the story broke — from 2 per cent on 29 August.

Many advertisers are family-oriented brands: do they care to be associated with such channels? Media audit company Spatial Access ran a quick study on the area of corporate responsibility; apparently, advertisers do not raise ethical issues as long as the channel in question had critical mass in viewership. In the cold hard calculus of commerce, one person's suffering does not count for much. Tomorrow, you may be that human being. ■

GURBIR SINGH

PIERRE MARIO FITTER

INTERNATIONAL MOTOR SHOW 2007, FRANKFURT

'Green' cars that reduce emissions and raise fuel efficiency were the hallmark of the world's largest car exhibition this year. Volkswagen's Bluemotion Passat uses computer chips and driver aids to improve fuel efficiency. Its diesel engine consumes 5.2 litres for every 100 kilometres. It also features body and tyre modifications to reduce drag and road friction. The price of this Passat variant starts at €250 more than the regular version.

comment

by omkar goswami

Doing business in India

The author is the founder of CERG Advisory that specialises in corporate consulting and economic advisory services. He can be reached at omkar.goswami@cergindia.com.

IN his recent visit to India, Intel's Craig Barrett said something quite ominous. Since he said it politely with elegant caveats, and since it was but a part of many good things that he said, the comment merited small headlines in the pink papers. Shorn of politeness and provisos, this is what Barrett had to say: While India is an exciting prospect for Intel, delays in getting government clearances are making the management favour investing in China and Vietnam over India.

Barrett's statement was a powerful wake-up call. We can praise India's growth to the skies. But we must recognise that there are huge hassles for multinationals and others in setting up and running businesses in India. Consider some facts culled from the World Bank.

In 2006, India ranked 134 out of 175 countries in terms of ease of doing business. China ranked 93, and the relatively tiny Vietnam ranked 104 — 30 places higher than India. In terms of dealing with licences and sundry government permissions, India ranked 155, China was only marginally better at 153, but Vietnam was way ahead at 25. As far as registering property was concerned, India was placed at 110, versus China at 21 and Vietnam at 34. Regarding flexibility in hiring, utilising and retrenchment of workers, India was 112, compared to 78 in China and 104 in Vietnam.

Now come the real party poopers. In exports and imports, our still cumbersome procedures ranked India at 139; China was 38, and Vietnam 75. We fared abysmally in the ease of enforcing commercial contracts: ranked 173 (that is, only two countries are worse than us), versus 63 for China and 94 for Vietnam. And our monstrous difficulties in winding-up ranked India at 133 in the ease of closing business, compared to 75 for China and 116 for Vietnam.

All these hassles have to do with the government and the judiciary: centre, state, districts, municipal entities and courts. All involve multiple permissions — often sequential and occasionally conflicting in their remit — which take far too long to be resolved. Let me now give you a live example.

To begin with, a disclosure. I am an independent director on the board of Cairn India, a company listed on Indian stock exchanges. What I write here are bald facts, bereft of any bias that could accompany my fiduciary position.

Cairn discovered India's largest on-shore oil reserves in the district of Barmer in Rajasthan. The original agreement was that Cairn would be paid for evacuating the crude at site (the 'point of delivery'), which would then be carried by a public sector company to southern Rajasthan and Gujarat by a pipeline constructed by that enterprise.

By end-2006, it was clear that the public sector company was not going to be able to construct the pipeline. Since no pipeline meant no oil for the nation (you need to ship the crude out of Barmer), Cairn offered to build the pipeline with cost recovery. That required two permissions from the Ministry of Petroleum. The first was to permit shifting the 'point of delivery' of the crude from Barmer to the end-point of the pipeline and, hence, right of access. And the second required recognising Cairn as the pipeline contractor for getting cost recovery.

The file made interminable rounds in the ministry for more than six months. Eventually, Murli Deora, the minister concerned, was given the full picture of the delays and what it was costing the nation. Deora, to his credit, immediately sanctioned the project. Guess what? Even after the minister's approval, a civil servant in the ministry succeeded in putting such onerous caveats in the last paragraph of the sanction letter that it has become impossible to proceed without these being removed.

Bureaucracy is delaying a project that happens to be India's largest on-shore find. For reasons that are beyond my comprehension. Except one: lack of concern about the cost to the nation. Yet another example of hassles of doing business in India. And why Craig Barrett said what he did. ■

Despite the lure of growth and markets, the hassles of doing business in India are still enormous

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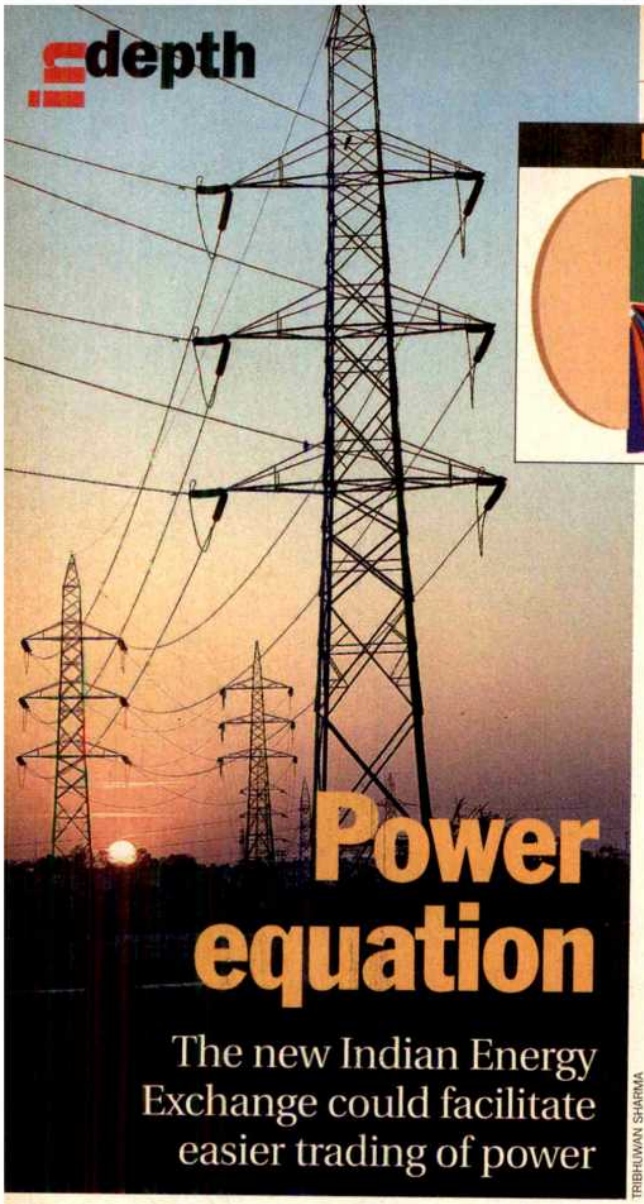


Power equation

The new Indian Energy Exchange could facilitate easier trading of power

TRIBHUWAN SHARMA

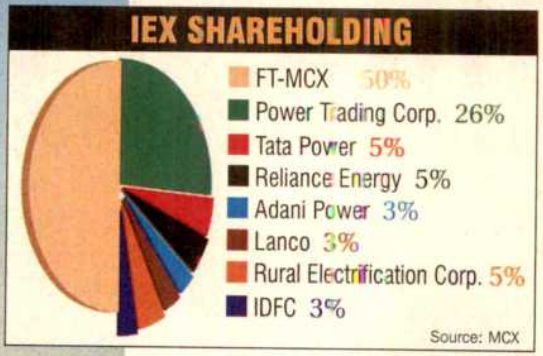
DINESH NARAYANAN

A HOST of power generators and utilities have picked up small stakes in Indian Energy Exchange (IEX), a company promoted by Financial Technologies and Multicommodity Exchange (MCX), which hopes to draw away electricity traders from the telephone and hook them to the keyboard. Among those who have bought shares in IEX — which got permission from the Central Electricity Regulatory Commission (CERC) to start up a few days ago — are Reliance Energy, Tata Power, Adani Power and Lanco, according to Joseph Massey, deputy managing director of MCX.

India is perennially short of power and many areas of the country such as Maharashtra face up to 12 hours of rolling blackouts, dubbed load-shedding, every day, infusing uncertainty in the operation of industries and businesses that do not own generators. An estimated 25 per cent of electricity is lost to pilferage and transmission inefficiencies, and surplus power available during non-peak hours is traded in an over-the-phone, non-transparent market.

Massey believes that IEX will help in better price discovery and efficient use of excess power in different parts of the country at various times of the day by bringing together buyers and sellers on an electronic platform. Usually, the eastern states of the country have excess power and the northern and western ones, where industries are clustered, are deficient. In April-May, the eastern region exported 1,623 million units out of the total trading of 2,730 million units. The northern states bought 1,105 million units and the western states purchased 1,061 million units. "The power exchange will act as a benchmark for various sources of power and as a barometer of the extent of shortage of power," says Sameer Ranade, senior analyst at PINC Research in Mumbai.

About 90 per cent of the electricity generated in the country is sold through long-term, bilateral power purchase agreements between buyers, mostly state-owned distribution companies, and producers such as NTPC, Tata Power and Reliance Energy. However, distributors rely on traders for short-term requirements. Currently, there are about 15-16 power traders, including firms that are arms of producers such as Tata Power, Reliance Energy and Adani Power, though state-owned Power Trading Corporation dominates the scene.



Through IEX, the national load dispatch centres and regional load dispatch centres of the power grid would put out the available transmission capacity every morning. This information will be displayed on the exchange. Based on that, traders will buy and sell power until afternoon, after which the exchange will inform the dispatch centres to distribute the electricity to buyers. The transmission losses will be 'socialised', says Massey, meaning evenly distributed among buyers.

Initially, he says, about 50 entities are likely to be on the floor when trading begins. "Ninety five per cent of trade in crude oil, LNG and fuel oil, which are essential inputs for power generators, is done on MCX's platform. That success will draw many of the power companies who trade in and use these commodities to IEX, too," says Massey.

The price of power on the exchange is, however, unlikely to move out of a wide band of Rs 3-10 because the average price that users pay currently is Rs 3 per unit and the penalty for out-of-quota use called unscheduled interchanges from the grid is Rs 7.50 per unit.

Informally, however, buyers sometimes pay more in short-term negotiated deals. For example, Pune city often purchases power at rates as high as Rs 11 per unit. Some other states, too, buy power at Rs 8-9 per unit. However, they buy electricity at high rates only to meet peak hour shortages, which means the rise in cost, when distributed across the total units consumed, is marginal.

It would, however, be some time before an individual buyer is able to purchase power directly from the exchange. Most states are yet to draw up guidelines for open access to power. Until that happens, direct purchase of power by individual users will not be possible. ■

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Company: **Jindal Steel & Power**
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Market capitalisation: **12,188.33**
Sales turnover: **3,899.81**
Profit after tax: **702.99**

PRITHVIRAJ JINDAL
Company: **Jindal Saw**
Promoter's holding (%): **42.22**
Market capitalisation: **2,980.08**
Sales turnover: **3,978.73**
Profit after tax: **176.20**

BAIJU KALESH

OM Prakash Jindal must have been an omniscient man. Twenty days before his sudden and tragic death in a helicopter crash in March 2005, the architect of the Jindal Steel empire wrote out his will. It's a unique testament, not only due to its prophetic timing, but its farsighted intent.

OP, as he was affectionately known, divided his Rs 25,000-crore business between his wife Savitri Devi and their four sons. His demise unified his family more than ever. OP's unique will bequeathed his successors with a one-fifth share each in a five cornered split — his wife, his promoter-son, and one-fifth each for the other three sons, together making one unit.

The mechanism is simple, effective and, consequently, beyond reproach. For instance, in the flagship company JSW, with market capitalisation of Rs 11,000 crore, the family owns 46.43 per cent of the stock. According to the will, Sajjan will own a fifth of the the family's share, Savitri Devi will own another fifth, and the rest will be owned equally by other brothers Prithviraj, Naveen and Ratan. Savitri unanimously replaced her husband as the head of the group; OP married her after his first wife and Savitri's older sister Vidya Devi died. If Savitri dies unexpectedly, her shares will be inherited by Sajjan, who will also be the single largest shareholder.

If any brother wants to exit, he could offer his shares to the other three. But there is a caveat. The buyer would have to match the price derived by an independent banker. With this clause, OP ensured the continued synergy between the group's interest in steel and power with that of their other companies, as he originally envisioned.

Steering a course for a future without internecine squabbles, OP had already

Left to right: Standing: Ratan, Naveen, Prithviraj, Sajjan Sitting: OP Jindal

OP's unique will bequeathed his successors with one-fifth share each in a five-cornered split

SAJJAN JINDAL

Company: **JSW Steel**

Promoter's holding (%): **46.43**

Market capitalisation: **11,090.93**

Sales turnover: **9,337.34**

Profit after tax: **1,292.00**

Note: Promoters' holding details as on 30 June 2007; market capitalisation (in Rs crore) as on 10 September 2007; sales and profit figures (in Rs crore) are for the financial year 2006-07

the Will & the way

At a time when sibling rivalries are on the rise, O.P. Jindal's settlement stands out for its prescience

ensured reasonably clear lines of demarcation on the business responsibilities of his four sons even when he was alive; he lent his time to the Kurukshetra Lok Sabha seat. His death caused more grief than alarm. The stockmarket paid homage, too — share prices in Jindal Group companies did not fall.

Business legacies are rarely so uninterrupted. In some of the recent examples, last week, hotelier Mohan Shetty shot and wounded his older brother Manohar in a literal succession battle witnessed by their mother in their lawyer's chambers. While Rahul Bajaj takes pride in mentoring the road to his own succession, he has been fighting brother Shishir in the courts over the business empire founded by their father Ramakrishnalal. The acrimonious feud between the Ambani brothers has only ended in letter, not spirit.

Ajit Gulabchand, chairman of Hindustan Construction Company, says it is difficult to split a single business as it grows larger and larger. "In such cases, the founder should create a trust and leave the management to professionals like Ford Motors did in the US," he says, adding, "All my shares in HCC will go only to my daughter. If she can manage alone, that's fine; else the company will be run by professionals." Gulabchand's HCC is part of the century-old Walchand Hirachand group, makers of Fiat cars and owners of huge tracts of land in Mumbai. The family took eight years to divide their pie.

Two years after it was signed, sealed and registered, OP's sons Prithviraj and Sajjan remain true to their father's will. Sajjan Jindal acquired his brother Prithviraj's Saw Pipes USA, which makes steel pipes to transport oil. He paid his sibling $900 million and now benefits from his father's foresight. Sajjan's US acquisition is a forward integration of his company in India, which makes primary steel.

Nitin Podar, a lawyer with J.S. Sagar & Associates, who has handled many family separations, says any founder who had built a company or group should clearly identify and implement a succession plan in his lifetime. He says, "From examples around us, we can see the second generation always fights for control, and not to establish itself."

Families have not always fought over wealth. Ghanshyam Das Birla, who died in 1983, left behind a mighty empire, which his five sons divided amicably. Nonetheless, it was frustrating for some family members, says a Birla insider who does not wish to be quoted.

A senior lawyer, whose firm is providing legal advice to a high-profile fight between a family and an outsider, says there was no single model to end family fights. There are three possible options that can be considered: the family's shareholding can be pooled into a trust which manages it as in the US and Europe. Two, the family can divide it amicably among members, like the Birlas did. The third alternative is to hold the family's wealth in a single investment company such as Pilani Investments by the Birla families, or through a web of investment companies — like Reliance was held before the split.

OP's biographer Anil Dharker writes that the farmer's son from obscure Nalwa in Haryana talked to machines in his life. In death, the unconventional man of steel has created a superstructure that holds together for one reason: his will ensures that each son's performance will increase the others' wealth.

How did OP share his wealth equally between his sons? Of the four, Ratan Jindal is the poorest. His company, Jindal Stainless, has a market capitalisation of Rs 2,244 crore compared to the youngest, Naveen Jindal's Rs 12,188 crore in Jindal Steel and Power. But his father's will makes Ratan richer by over Rs 1462 crore, through the 12 per cent stake in Naveen's steel company. The same is true for Sajjan, Prithviraj and Naveen in their other group companies.

The *Forbes*-list billionaire balanced the group's investments in individual companies. The family had invested heavily in Sajjan's 4 million tonne steel plant in Vijayanagar, near Bangalore. This was followed by Naveen's Steel and Power, and Prithviraj's United Steel companies. Ratan had benefited the least. Now, they are all first among equals. Family members could not be reached to comment for this story, though JSW finance director Seshagiri Rao agreed that his late chairman's will is unique.

As in life, the towering industrialist who never graduated school, engaged in unimpeachable mathematics to save his legacy from the slur of dissent. Wherever he is now, O.P. Jindal has reason to be pleased. ■

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BENEFICIAL: A new US patent reform bill may reduce patent litigation

BLOOMBERG

The side effect

GAURI KAMATH

India's copycat drug makers could benefit from the US tech industry's push for patent reforms

INDIAN pharmaceutical companies that export generics — legally — to the US could save money on their legal bills, benefiting from a law supported by the US information technology industry. Last week, the US House of Representatives voted in favour of the Patent Reform Act, 2007. The Act proposes sweeping changes to American patent laws that will impact the way patents are filed, awarded and challenged in the US. That is, if it becomes law. The Senate has yet to vote on a similar legislation.

The Act aims to curtail patent litigation by limiting where patent owners can sue (litigants are known to go 'venue-shopping' to 'patent-friendly' courts) and how damages are awarded. The Act includes a post-grant patents review process by which anyone can contest the patent's validity at the Patent Office itself; it could cap the frequency of litigation and the value of the damages. Patent litigation cases in the US more than doubled from 1991-2001.

"It will enable generics companies to invalidate weak patents," says D.G. Shah, secretary general of the Indian Pharmaceutical Alliance (IPA), a Mumbai-based lobby of Indian companies including Ranbaxy and Dr. Reddy's. "It will promote competition and access to medicines at affordable prices."

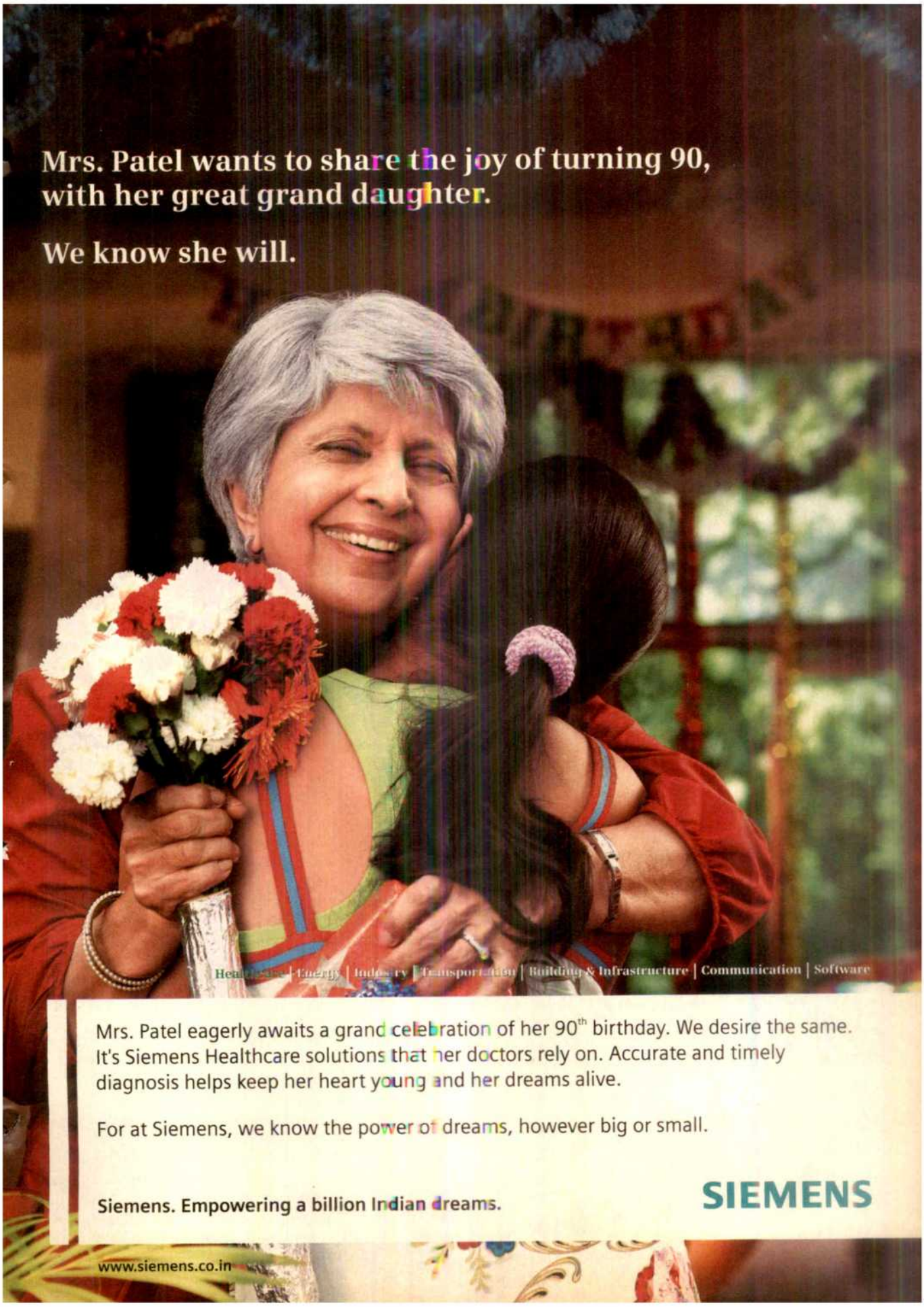
A separate US law rewards successful drug patent challengers with time-bound market exclusivity. But this is almost always preceded by long and expensive litigation with the patent owner, and companies often hold off launching their copycats until a final judgement is passed; patent owners have been known to claim — and be awarded — triple damages.

The US information technology industry is among the Act's biggest supporters. "The current patent system is bogged down by delays, prolonged disputes and confusing jurisprudence," said Jonathan Yarowsky, policy counsel and spokesperson for the Coalition of Patent Fairness, which represents Microsoft, Google and others, in a statement. Google has said on its blog that it faces "increasing legal costs to defend against frivolous patent claims from parties gaming the system to forestall competition or reap windfall profits".

The Bill has vocal opponents, including American pharmaceutical and biotechnology industries, whose patents are under threat. "It is designed to make it easier and less costly for companies and individuals to infringe patents," says Jim Greenwood, president and chief executive of the Biotechnology Industry Organization (BIO), a powerful lobby of biotech companies.

And the Bush administration may not be sold on it yet. IP-Watch, a news service, quotes officials as saying that it would "introduce new complications and risks, reducing incentives to innovate". Shah of IPA says there is still time for "lobbies to operate", possibly leading to a "compromise Bill".

Nasscom, an association of India's tech companies, and the Organisation of Pharmaceutical Producers of India, which represents leading western drug companies, declined comment. So did Medicins Sans Frontieres, which has vocally opposed frivolous patenting by western drug makers. "We don't know what the final shape of the law will be," said an MSF official in New Delhi. It may be months before anyone does, but supporters are bullish. ■


Mrs. Patel wants to share the joy of turning 90,
with her great grand daughter.
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TAKING

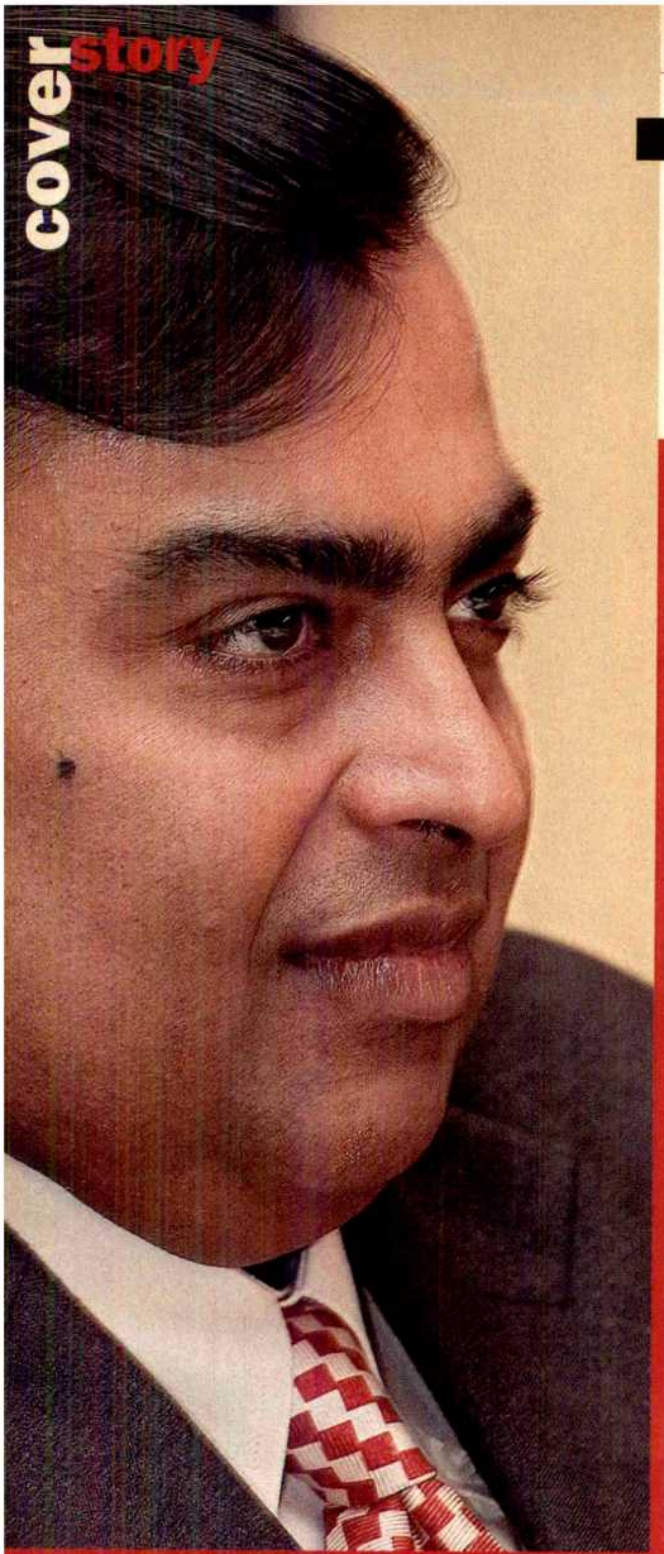
Using their personal wealth, promoters are consolidating their hold on the fortunes of their companies. By Piya Singh

HOME-grown retailer Pantaloon Retail India's (PRIL) frenetic growth and its success as a pioneer in organised retailing is a great case study for future managers. Its promoter Kishore Biyani is adding grist to this mill by taking time out of his hectic expansion spree to write his own version, *It Happened in India*. However, behind Biyani's meteoric rise — his chain has set up 1,168 stores in 50-odd formats in just 10 years — there has been consistent, accompanying chatter about how long he would last in this business and resist selling out to competitors. His ostensible reason for doing so: tempting valuations and the tough task of growing a competitive business with wafer-thin margins.

Now, Biyani is looking to quash such talk by announcing his intention to increase his stake (and thereby control) in PRIL to 50 per cent from 44.66 per cent through a preferential offer. "We don't want to sell our business," says his younger cousin and the newly anointed CEO of the group's retail business, Rakesh Biyani. "The decision to up our stake reiterates that we remain investors in retail." Probe a little further, and the younger Biyani admits that the call to increase stake is not just about showing commitment. "It's also about ensuring control and keeping competition at bay," he says.

Sceptics may say that by raising the promoters' stake, all that the Biyani family is trying to ensure is that when the group does sell out, they will get more money for owning the controlling interest in a company that recorded sales of Rs 1,960.76 crore last year and is valued at Rs 7,204.69 crore by investors.

Whichever way the Pantaloon story finally unfolds, the Biyanis are only following the example being set by promoters of India's blue-chip corporate houses. A *BW* analysis of the top 17 private business groups by market capitalisation for the year ended 30 June 2007 shows that Indian promoter groups — Mukesh Ambani, Tata Group, Aditya Birla Group, Rahul



TRIBHUWAN SHARMA

MUKESH AMBANI, chairman and managing director
Company: **Reliance Industries**
Stake (June 2006): **49.83%**
Stake (June 2007): **50.98%**
Increase: 1.15%

CONTROL

Bajaj group and Vijay Mallya — have increased or maintained their stakes in at least 55 companies out of a total of 91 over the past year (see table 'Less In Some, More In Most').

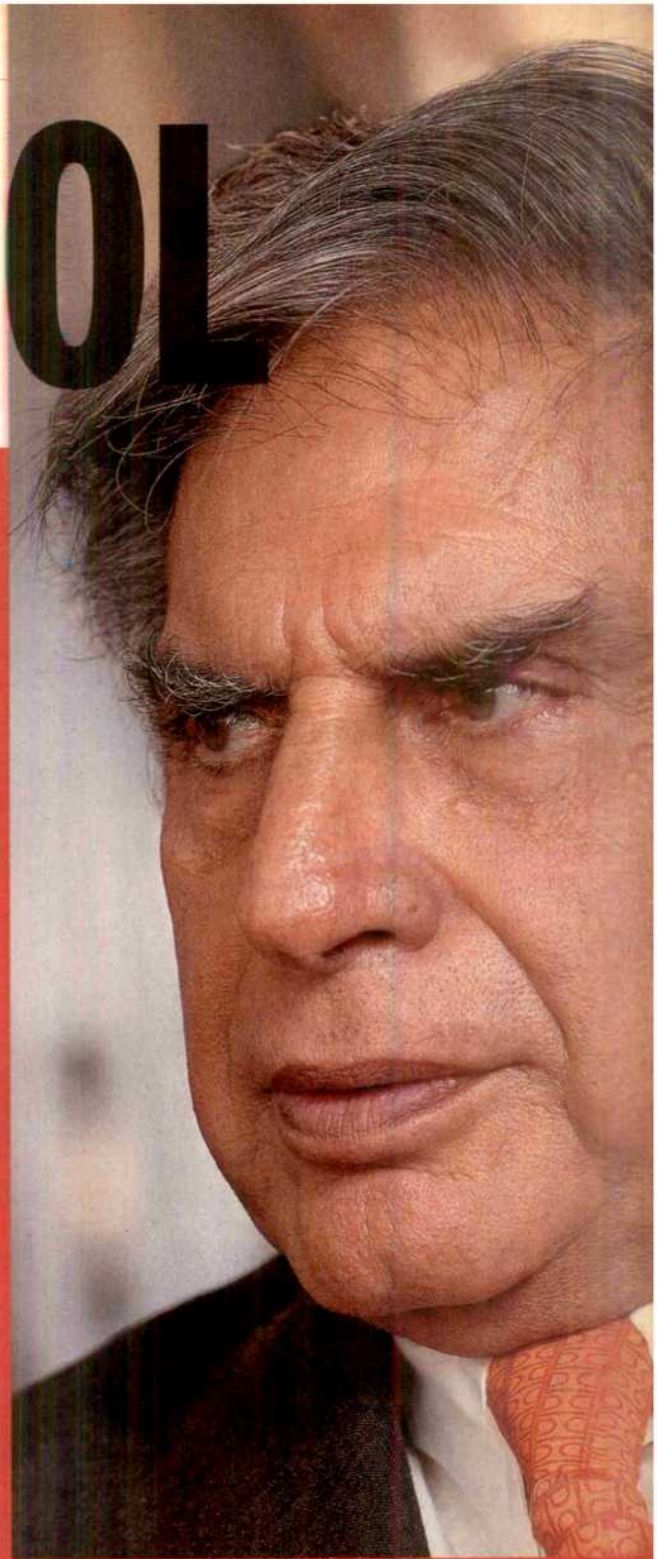
From farmhouses and diamonds, promoter wealth is flowing back into their companies spurred by their belief in the India growth story and their companies' ability to play a starring role in it. Even among the listed companies in the S&P CNX 500, promoters are opting to stay in control: 282 companies have a promoter stake of over 50 per cent; of the remaining 218, only 39 have a promoter stake of less than 26 per cent.

That's not all. Several other large Indian promoters — be it the Wadias of Bombay Dyeing, who recently announced a preferential allotment of warrants to increase their stake by 5 per cent from the current 43 per cent; Kumar Mangalam Birla of Hindalco who has publicly stated his desire to shore up his holdings from the present 30 per cent to 50 per cent over the next few years; or Keshub Mahindra of the Mahindra group who at a recent company AGM indicated that the promoters

Less in some, more in most

Business house	Number of companies	
	Stake reduced	Stake increased and maintained
Mukesh Ambani	-	1
Tatas	10	16
Anil Ambani	-	5
Aditya Birla	1	7
Sterlite	2	3
Mahindra	1	2
Bajaj	2	8
Om Prakash Jindal	2	4
UB	3	3

Note: Increased & maintained or reduced stake by promoters in their group companies in June 2007 as against June 2006
Source: BSE and companies

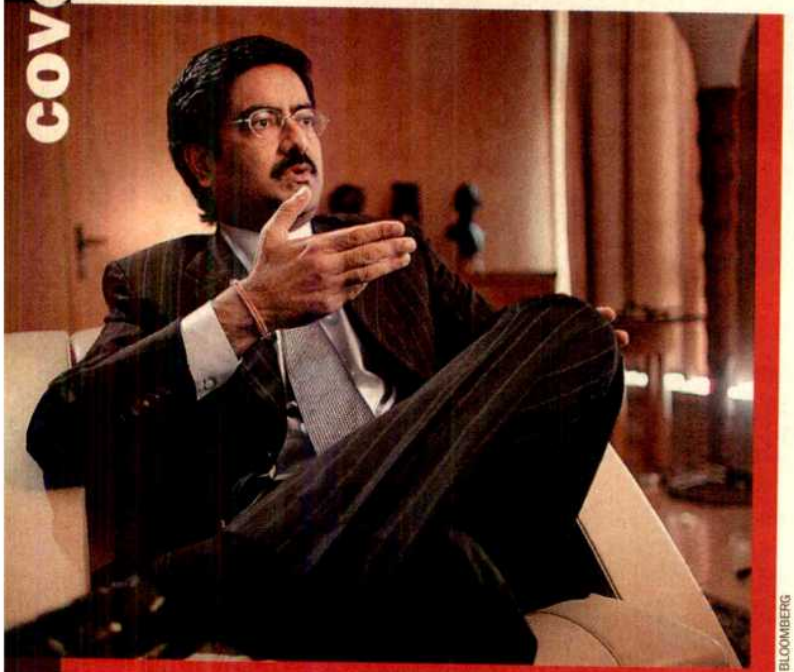


HEMANT MISHRA

RATAN TATA, chairman
Company: **Tata Steel**
Stake (June 2006): **26.88%**
Stake (June 2007): **33.77%**
Increase: 6.89%

EXECUTIVE SUMMARY

- Most of India's leading business houses are increasing stakes in their companies
- They are increasing the stakes to leverage the India growth story, and exercise greater control
- IT companies' promoters are reducing their stakes



BLOOMBERG

KUMAR MANGALAM BIRLA, chairman
Company: **Hindalco Industries**
Stake (June 2006): **26.79%**
Stake (June 2007): **31.40%**
Increase: 4.61%

were open to increasing their shareholding in Mahindra & Mahindra from 22.88 per cent — large Indian promoters are on a roll. This trend is not confined to only the past year. Over the past three years, promoters have been consistently raising their shareholding in group companies.

However, this trend is not something promoters are willing to talk about — on the record or off it. When *BW* approached them, most requests for a meeting were declined, and those who did speak provided just a background briefing.

Control By Any Other Name...

Today's quest for control is very different from the days when mammoth groups such as the Tatas and Birlas ran their companies in the 1970s and 1980s with minority stakes often in single digits, backed by public-sector financial institutions (FIs) such as IDBI and UTI. The changing role of the FIs — who were significant lenders interested in protecting the creditworthiness of their loans — in the new millennium has had a big impact on the way owner-managers can control companies, says veteran investment banker Udayan Bose, who worked closely with the country's leading groups during this period. "In the old days, promoters relied heavily on FIs for support and were, therefore, able to run their companies with a small percentage of holding," he says. "Now, FIs are also answerable to their own shareholders; ICICI and IDBI are publicly-held companies while UTI's shareholding has changed."

The new trend is also a consequence of the changes in the way corporations are run and controlled in this country. The dramatic changes introduced in the past decade — whether through more stringent regulatory norms or the transparency brought about by corporate governance norms — have forced promoters to untangle cross-holdings and disclose true shareholdings. "Promoter holding or the lack of it came into prominence around 8-10 years ago," says Anil Singhvi, former finance chief of Gujarat Ambuja Cement and the man credited with spearheading the deal to sell ACC to global cement giant Holcim. "Before that, there were no disclosure norms. The takeover code and corporate governance norms made sure that every *chacha* and *mama* could not be included, and the list of promoters started getting truncated."

While several promoter groups, including the Birlas and the Tatas, are trying to untangle cross-holdings, there still seems to be an increasing reluctance to forego control. Indeed, as the Indian economy continues to gallop at over 8 per cent, it appears that promoters increasingly are investing more of their personal wealth into their businesses. Global consultancy Grant Thornton's international business report 2007, which polled 7,200 privately-owned businesses in 32 countries, points out that only one in ten business owners in India expects a change in ownership in the next decade, compared to 28 per cent across the world.

...Is Only Getting Tighter

Whether on- or off-the-record, ask any promoter or their financial advisors about the reasons why owner-managers are busy upping their stakes and the most common refrain continues to be that promoters believe in the country's (and their own corporate) growth story. After all, any move to shore up control does send the 'right' signal to other stakeholders in the business. "After Reliance Industries' (RIL) preferential offer earlier this year, the market re-rated RIL as the promoter was bullish on the stock," says Enam's head of investment banking, S. Subramanian. "Mukesh Ambani could have put his money in the market and invested in other companies instead of investing it in his own company. In such a situation, the promoter obviously believes that his risk-adjusted return must be higher in his own enterprise."

Others believe that promoters' motivations are farsighted. "They are investing now to reap the benefits if and when they choose to dilute their holdings in the future," says the head of research of a Mumbai-based brokerage house. There may be a valid argument there; most corporate houses where promoters are increasing stakes have large-scale expansion plans. For instance, Reliance plans to invest Rs 75,000 crore in its retail business, special economic zones (SEZs), and oil and gas exploration over the next three years.

The promoter's stake in Tata Steel jumped from 30.26 per cent in December 2006 to 33.77 per cent in June 2007 after the takeover of Anglo-Dutch steel giant, Corus. Tata Tea, where the promoter's stake has gone up from 28.95 per cent in June 2006

to 35.40 per cent in June 2007, is on the lookout for a billion-dollar acquisition in North America. Even the Wadias' decision to hike their 43 per cent stake in Bombay Dyeing is likely to fund the family's massive retail plans.

Increasing their stakes also gives owners control over implementing future investment and expansion plans. "Equity funding from the promoters sends a strong signal of intent to other financial stakeholders such as banks and the credit markets," says a hedge fund manager. "Besides, with foreign debt disappearing in the wake of the subprime meltdown in the US and the domestic stockmarkets in a volatile mood, equity funding from promoters is the best way to boost confidence and ensure that plans are not impacted by externalities."

Company watchers also cite the threat of takeovers as another reason for promoters to consolidate their holdings. "I believe takeovers are a real threat," says Renuka Ramnath, managing director and CEO of private equity player ICICI Venture. "There is greater freedom for independent shareholders and management does not have tenancies on a company any more. Shareholders' activist play is a reality"

While hostile takeovers remain few and far between in India, there is no doubt in Ramnath's mind that in the coming years, it will be "a 100 per cent reality". Recently, there were rumours of a potential takeover of Hindalco by a reputed multinational corporation. So far, however, corporate India has barely witnessed any large takeover wars. A few indeed do come to mind: India Cements' bid for Raasi Cements, or when Kolkata-based businessman Arun Bajoria bought a 14 per cent stake in Bombay Dyeing from the open market in 2000.

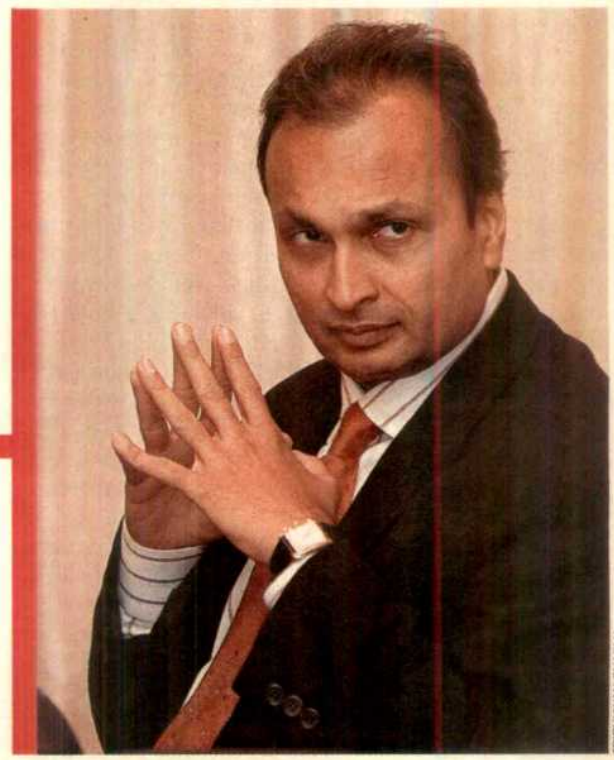
Increasing promoter stake

Business group	Company	Promoter holding (%) June 2006	Promoter holding (%) June 2007	% increase
Mukesh Ambani	Reliance Industries	49.83	50.98	1.15
Tatas	Tata Steel	26.88	33.77	6.89
Tatas	Tata Coffee	50.67	57.48	6.81
Tatas	Tata Tea	28.95	35.40	6.45
Tatas	Videsh Sanchar Nigam	71.52	76.24	4.72
Tatas	Automobile Corpn. Of Goa	39.66	44.10	4.44
Tatas	Trent	26.35	29.81	3.46
Tatas	Tata Chemicals	28.62	31.55	2.93
Tatas	Indian Hotels	28.40	29.17	0.77
Anil Ambani	Reliance Communications	42.23	66.75	24.52
Anil Ambani	Reliance Natural Resources	45.05	49.94	4.89
Anil Ambani	Reliance Energy	5.00	35.90	30.90
Anil Ambani	Reliance Capital	35.45	52.40	16.95
Aditya Birla	Aditya Birla Nuvo	34.17	39.01	4.84
Aditya Birla	Hindalco Industries	26.79	31.40	4.61
Aditya Birla	Grasim Industries	25.07	25.19	0.12
Bajaj	Bajaj Hindusthan	37.71	40.90	3.19
Bajaj	Bajaj Auto	29.78	30.11	0.33
Om Prakash Jindal	Jindal Stainless	40.58	42.56	1.98
Om Prakash Jindal	JSW Steel	45.15	46.43	1.28
UB	United Spirits	36.32	38.10	1.78

Figures are company-wise promoter holding in June 2006 and June 2007 Source: BSE and companies

Let Me Count The Ways

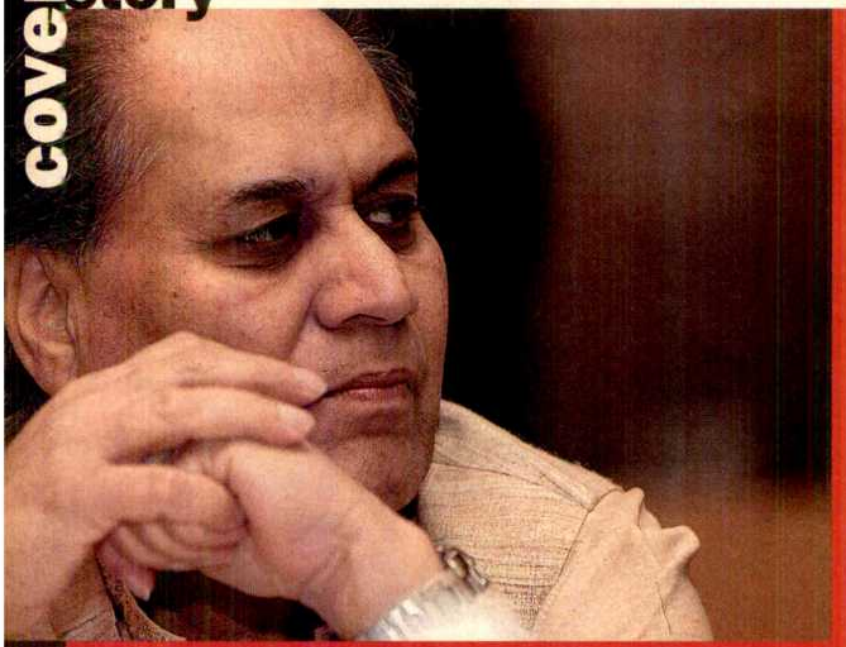
So, how are Indian promoters increasing their shareholdings? They can do that by 5 per cent per year under the creeping



TRIBHUVAN SHARMA

ANIL AMBANI, chairman and managing director
Company: **Reliance Communications**
Stake (June 2006): **42.23%**
Stake (June 2007): **66.75%**
Increase: 24.52%

Note: The stake increase is a result of the reorganisation of the group's key telecom companies



TRIBHUWAN SHARMA

RAHUL BAJAJ, chairman
Company: **Bajaj Auto**
Stake (June 2006): **29.78%**
Stake (June 2007): **30.11%**

Increase: 0.33%

acquisition norms of the Takeover Code by purchasing shares from the open market, or through preferential allotments that could include issue of warrants or, lastly, through share buybacks. Some of these methods have drawn flak. "Creeping acquisitions allow promoters to take advantage of insider information, and warrants are most unwarranted," says Singhvi. "Preferential allotments should be banned as they are unfair on minority shareholders. If a company wants capital, all shareholders should be given a chance to participate."

Singhvi's criticism of warrants is that they are a wild card in the hands of the promoters, who can exercise their right to the warrant when the conditions are suitable but discard them if the conditions are not favourable. In other words, since warrants are not binding, a promoter has the option to choose whether or not to exercise this right. "History has shown that if the market price of a stock is at a premium to the issue price, warrants will be exercised; otherwise, warrants are just cast aside," says a broker-dealer. Several large Indian companies have gone in for this route to up their stakes over the past year (see table 'The Preferred Ways').

Buy-backs are perceived to be one of the fairest routes to increase promoter holdings as they are paid for out of cash reserves and, therefore, give minority shareholders a chance to exit. However, most companies do not have the cash reserves required to undertake this route, especially since in a high-growth scenario, all cash is used to fund expansion plans.

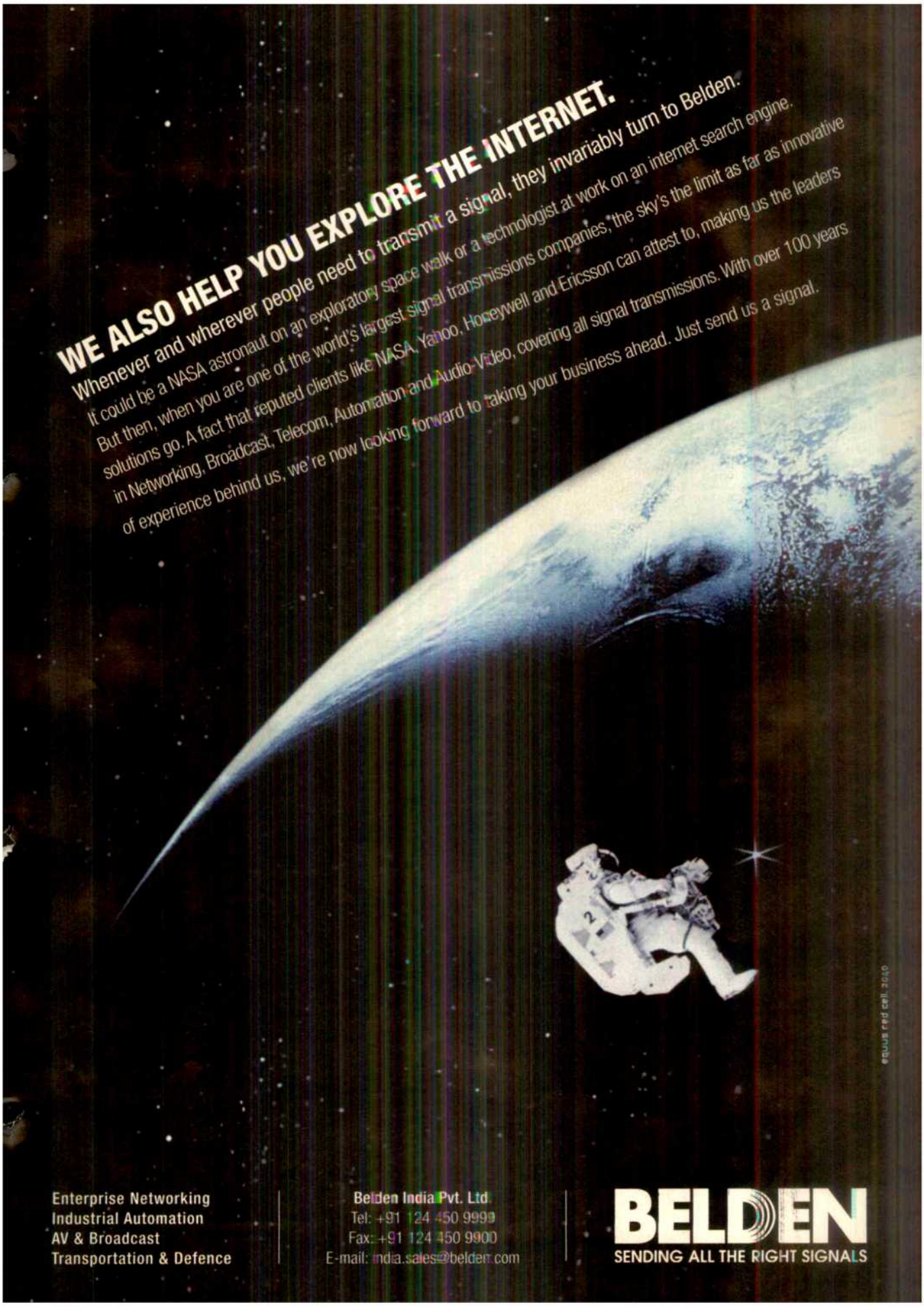
Demergers are yet another way that shows signs of catching the promoters' fancy, says KPMG's head of corporate finance Girish Vanvari. For instance, in the recent demerger scheme of Bajaj Auto where the company was split into three units — one focused on making two wheelers and auto, another on auto finance and insurance, while the third was a holding company — the promoters and their family can get a controlling interest in both the auto and finance subsidiaries without having to make an open offer or pay a control premium (see story '*Hamara Bajaj Hamara Rahega*', *BW*, 4 June 2007). And cheaply at that. Markets usually undervalue holding companies, and if the Bajajs' holding firm trades at a discount post-listing, the promoters and their friends could increase their stake from the current 47 per cent to 51 per cent at lower prices. If they do decide to put more of their money into the holding company's stock, they will control a 30 per cent block in the auto and finance subsidiaries through the holding firm (as this company has a 30 per cent stake in two new units). Since the Bajaj family and its friends already have a 21 per cent stake in the new auto and finance companies, they can get a controlling 51 per cent stake in these two firms through the 30 per cent block.

And then there are open offers. In their quest for control, Indian investors have seen a spate of open offers in the past couple of years by both Indian companies and global players. Whether it's Holcim's bid for Ambuja Cement this month or Kingfisher's offer to buy another 20 per cent from retail investors (it bought 26 per cent earlier this year), promoters are using this method to increase control. However, open offers have not always been successful and often companies have to pay the price of collecting shares from small investors. Oracle's open offer for i-flex is a case in point. Oracle first announced an open offer for 20 per cent of i-flex in September 2006 at

The preferred ways

Company	Mode of increasing promoter stake
Tata Steel	Conversion of warrants
Tata Tea	Conversion of warrants
Trent	Preferential allotment
Reliance Communications	Transfer of shares to promoters
Reliance Natural Res.	Preferential issue
Reliance Energy	Preferential issue
Reliance Capital	Preferential issue
Bajaj Hindusthan	Market purchase
Bajaj Auto	Market purchase
Jindal Stainless	Conversion of warrants

Source: BSE & companies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SENDING ALL THE RIGHT SIGNALS

Rs 1,475 per share. The company thereafter came out with a revised offer price of Rs 2,100 per share in December 2006. Or take MICO. Bosch made an open offer in April 2007 priced at Rs 4,000 per share for a 20 per cent in MICO. It was revised in June 2007 to Rs 4,600 and even then only 9.18 per cent got subscribed. It means that often small investors wait for companies to increase their offer price, while others may prefer to take a long-term view and stay invested, making it tough for promoters to use this method effectively.

What? Me Worry?

But for some companies, control is not an issue. IT blue-chips Infosys Technologies and Satyam Computer are acting contrary to many corporate houses. The promoter holding in Infosys is down to 16.54 per cent as on 30 June 2007 compared to 19.5 per cent in March 2006 and 21.76 per cent in March 2005. For Satyam, it fell from 15.67 per cent in March 2005 to 14.02 a year later, and is down to 8.79 per cent on 30 June 2007. Company watchers say that new age entrepreneurs don't feel the need to hold large chunks of shareholding to feel in control, and would rather cash out. "In several companies, promoters are happy to hold minority stakes as long as the company shows high growth," says ICICI Venture's Ramnath.

She feels the decision to hold a minority or majority stake also has much to do with the personality of the promoters. "Some people are happy with wealth creation and holding a 51 per cent stake is not the be-all and end-all of their existence," says Ramnath. When the Indian stockmarkets witnessed volatility following the sub-prime loan crisis in the US a few weeks ago, several top-level managers such as HDFC Chairman Deepak Parekh, ICICI Bank's Deputy Managing Director Nachiket Mor, Axis Bank Chairman P.J. Nayak, Larsen & Toubro Chief Financial Officer Y.M. Deosthalee and Infosys CFO V. Balakrishnan reportedly sold off shares that they had gotten as employee stock options.

Seasoned market participants, however, say that retail investors should not read too much into whether promoters or their top honchos in professionally-run companies choose to increase or reduce their holdings. Eventually, these are trading decisions and not a sign of business confidence, else an Infosys would not be a sound company and the promoters of Satyam would have little faith in the company they run. An analyst with a leading Indian brokerage also pointed out that the decision by a promoter to increase his stake in a group company is not really a good forecast for the markets.

Should this pursuit of control in promoter-run companies worry retail investors? Perhaps. Minority shareholders have to largely depend on the Securities and Exchange Board of India — the stockmarket regulator — and on corporate governance norms to ensure that their interests are protected. The reason is fairly obvious. While in the West, ownership and the management are usually divorced, in India both sit on the same side of the table. And the global experience with differential or non-voting shares — which allow investors to participate in financial success but not in strategic decision making — has not been a very good one, and has been attacked by shareholder activists. In the case of News Corp, for instance, some groups of small shareholders have been alleging that the dual stock structure is actually hurting the company's stock performance; it does not allow for building a potential takeover premium in the stock price. In India, the concept is yet to fly.

But where the regulator may not be able to help, minority investors may have another ally: the foreign institutional investors. As the movers and shakers in the stockmarket, they can have a restraining influence on promoters who act in adverse interest to other shareholders. In overseas markets, pension funds such as Calpers and Tiaa-Cref have collectively acted and dumped stocks when they felt promoters or management were not acting in shareholder interests. Sometimes, they have even taken the companies to court. That said, it may be more prudent for minority shareholders to take a lesson or two from the developed markets and play a more active role in looking out for themselves. At least, like Biyani, they can take a shot at writing their own investor protection success story. ■

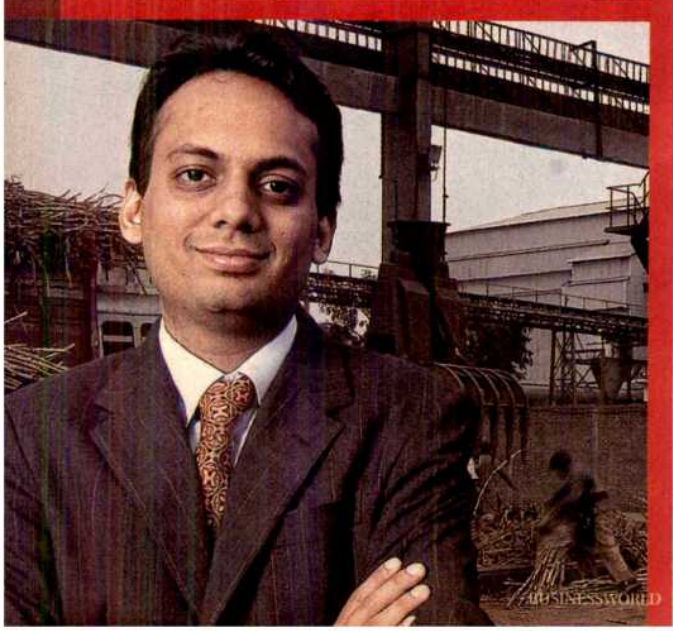
With inputs from Abhishek Chowdhury

IT companies: Reverse trend

Company	Promoter holding (%) June 2006	June 2007	% change
Infosys Technologies	19.41	16.54	-2.87
Satyam Computer Services	9.18	8.79	-0.39
Tata Consultancy Services	83.69	80.12	-3.57
Wipro	81.09	79.58	-1.51
HCL Technologies	69.30	67.55	-1.75

Source: BSE

KUSHAGRA BAJAJ, managing director
Company: **Bajaj Hindusthan**
Stake (June 2006): **37.71%**
Stake (June 2007): **40.90%**
Increase: 3.19%



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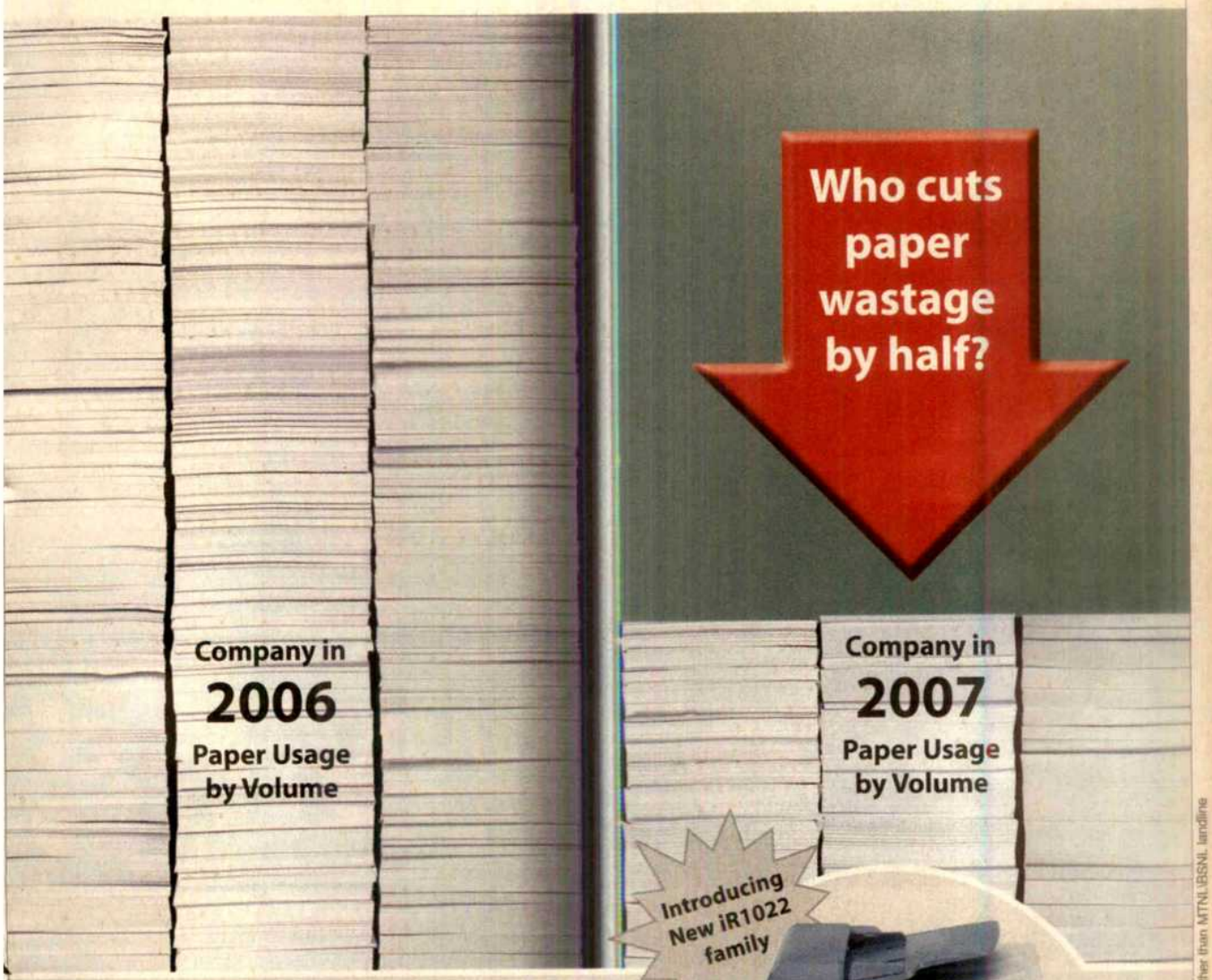

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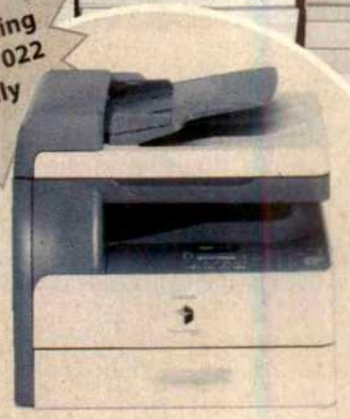

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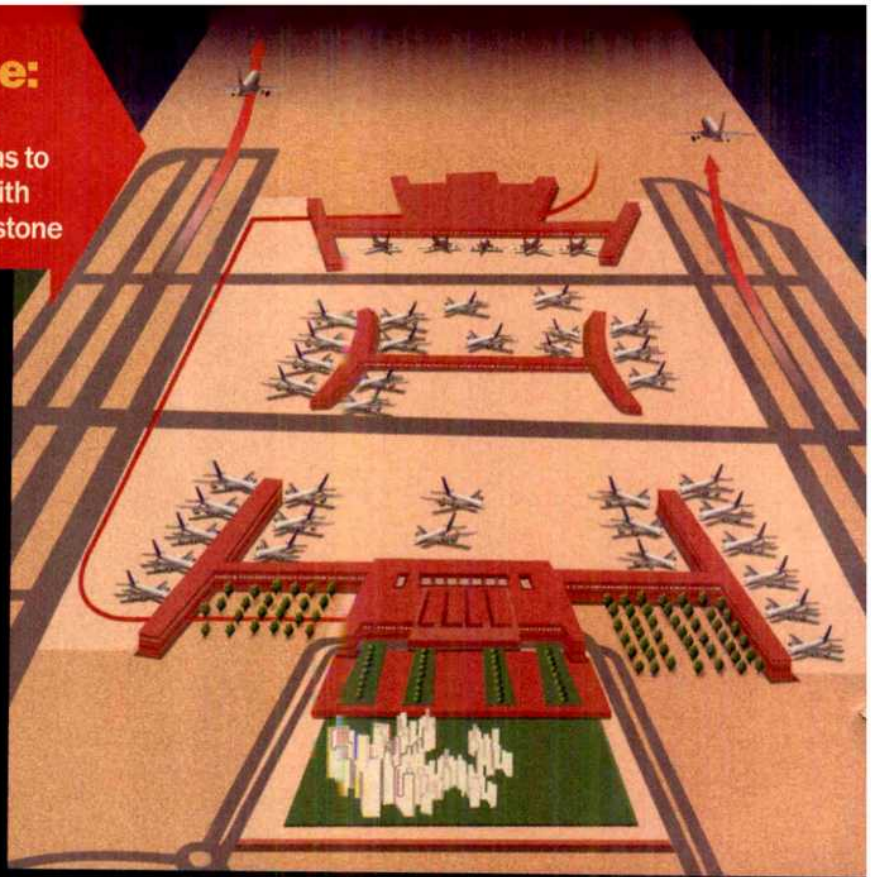
Before: The Delhi airport was to be built with red sand stone



The government is intervening in the ongoing modernisation of airports in the wrong areas. It is meddling in design rather than fixing the real glitches

Nose driving

PUJA MEHRA

THE master plan for redeveloping the Indira Gandhi International (IGI) Airport in Delhi had intended a red sandstone structure, much like the majestic Red Fort in the capital's historic walled city. It remodelled the current layout into three new H-shaped state-of-the-art buildings — a huge integrated international and domestic terminal flanked by two smaller ones for low-cost airlines and cargo carriers.

The private developer, GMR, picked by the government to modernise the Delhi airport, wanted to give it a unique character, completely different from the world's well-known airports. Therefore, the choice of a monument for the theme. This aspect, many say, is one of the main reasons GMR bagged the fiercely-contested project after a 25 month-long selection process last April.

Within months, however, this master plan was dumped by Civil Aviation Minister Praful Patel. He purged the design of the intended Indianness and, presumably inspired by Singapore's Changi International Airport, asked for a glass-and-steel look instead.

The airport layout changed extensively following the ministry's comments. The changes to the blueprint ultimately led to the relocation of both the new third runway at the airport and the terminal buildings. Five rectangle-shaped structures that will form a U, when completed in 2040, have replaced the original H-shaped terminals. Construction of the first terminal began from the East in February, though according to GMR's master plan, it should have started from the West. "The Delhi airport's design changed completely after the ministry gave its comments," admits Civil Aviation Secretary Ashok Chawla. He defends the change, though, by calling master plans 'living documents that evolve'. "They are immutable and not cast in stone."

In fact, the master plans for redeveloping the Delhi and Mumbai airports can now be revised every 12 months. The agreements between the government and the chosen private sector developers originally permitted revisions at gaps of 10 years.

The new design of Mumbai's Chhatrapati Shivaji International Airport (CSIA) — the other metro airport being modernised — has, so far, escaped the ministry's interference. That is for now — the master plan has just been shared with the ministry. The usual hiccups

Graphics: ANTHONY LAWRENCE

have shown up, though. For one, an offer from private operator GVK to build an alternative air strip for small private jets near the Juhu beach is stuck in red tape. For months, the ministry has kept on hold GVK's decongestion plan for the Mumbai airport.

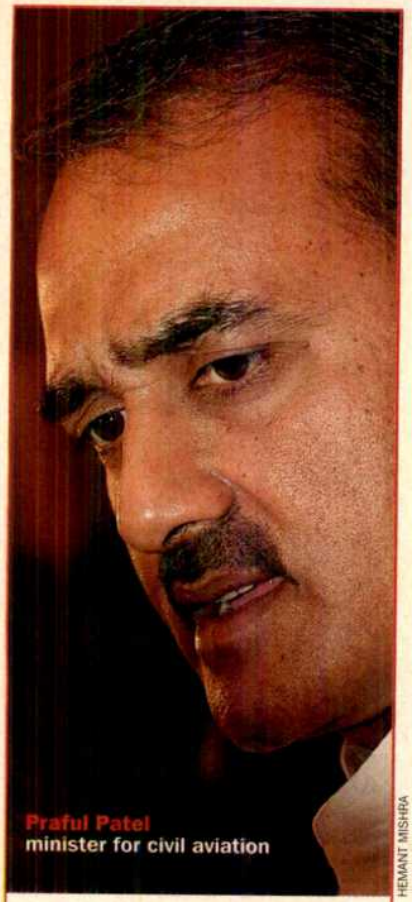
A possible reason is that more than 30 of these private jets belonging to Indian corporate bigwigs such as the Ambanis and the Birlas would have to be taken off the CSIA. Few politicians or bureaucrats can press ahead on this.

Another sticky point between GVK and the ministry is the relocation of the existing ATC tower and complex that come in the way of aircraft using the CSIA's second runway. Other obstructions including the Trombay Hill and skyscrapers such as a Reliance Energy building, too, need to be dealt with. To resolve both of GVK's problems, the ministry will have to confront powerful interests. The ministry prefers to drag its feet on these key decisions. Thus, GVK hasn't made much headway.

Elsewhere, the ministry has largely failed to step in where it must. As a result, GVK has had to bear the brunt of the government's inaction. Like much else in Mumbai, the redevelopment of the city-locked CSIA revolves around two key four-letter words: L-A-N-D and S-L-U-M. Nearly 15 months after GVK was brought on board, as many as 276 acres of the airport's measly 2,252 acres — IGI sprawls across more than 5,000 acres — are still swarmed by 3 lakh-plus squatters. Patel hasn't yet tackled the dogged resistance of four local MLAs to the relocation of this captive vote bank, despite his strong affiliation to the state's politics. GVK's remedy is to offer the right to commercially exploit chunks of airport land to specialist agencies — both private and public — in return for rehabilitating the slum dwellers.

Sanjeev Reddy, GVK's nominee managing director for the project, says he has learnt to be solution-focused, not problem-obsessed. "We'll be at fault if the airport gets delayed as it is our responsibility to get the government to act if it's not," he says matter-of-factly.

The private airport operators at Delhi and Mumbai require few approvals from the government. They only need to keep the civil aviation ministry informed of the progress. The ministry's comments and responses to their plans are not binding on them. The legal contracts for airport modernisation will be breached only if there is a let up in the scaling up of terminals or the upgradation of the runway systems. Even then, for some more time at least, GMR and



Praful Patel
minister for civil aviation

HEMANT MISHRA

Calling for attention

- In Mumbai, four MLAs are holding up the relocation of 3 lakh airport squatters
- ATC staff shortage has become even more acute — from 96 to 197 since 2005
- GVK and GMR still have little or no say in the allotment of landing and take-off slots to airlines
- The defence forces are yet to vacate airspace for civil use
- The CSIF, customs transfer their staff frequently, rendering passenger-handling training useless
- AAI's employees at the airports run by it are miffed. They forced the AAI staff at Mumbai to return GVK's Diwali bonuses
- Private developers are investing heavily, spurring the airport user charges substantially

GVK will have to patiently put up with the spoiler: the civil aviation ministry. More so, if GMR and GVK want the ministry to pick up battles with the countless third parties whose amenability is key to the running of the airports in a passenger-friendly way, until the new ones are ready. Cutting the long, snaky queues at security check-points requires additional manpower from the Central Industrial Security Force (CISF). The defence ministry has to be persuaded to free up the airspace that the armed forces control. Airspace management is especially handicapped in the capital where half the sky is out-of-bounds for non-defence aircraft.

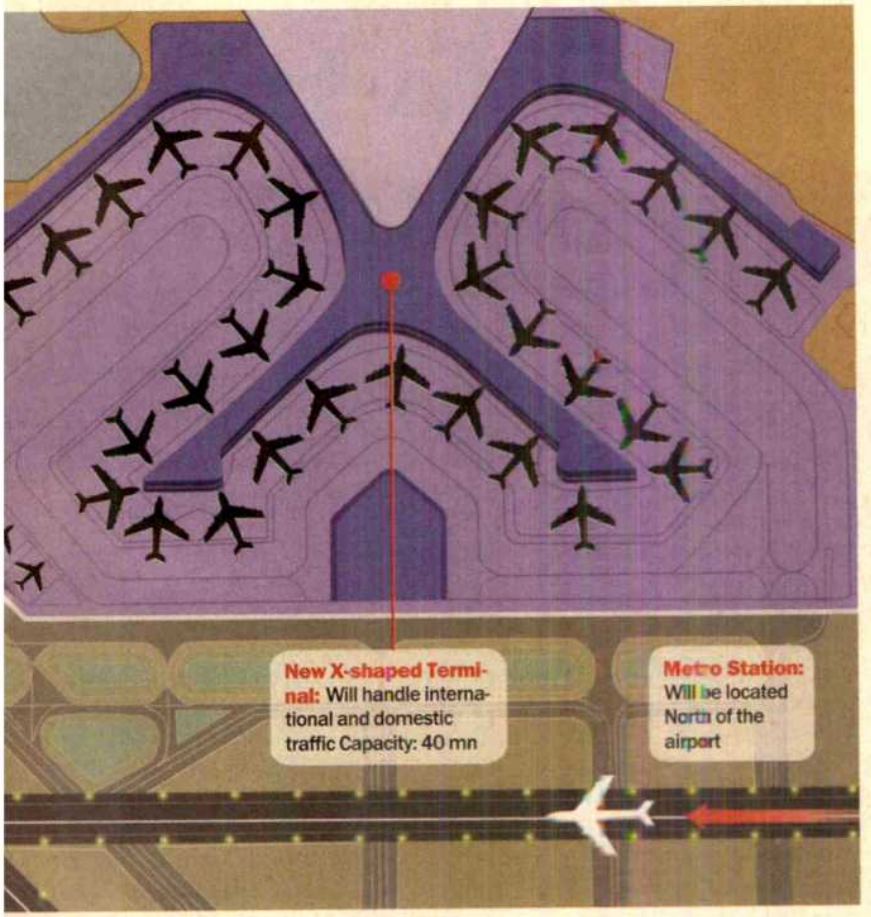
The Delhi government has to relocate the Dwarka butchery, a source of the twice-a-month incidents of bird hits around the IGI airport. It also has to facilitate the re-survey of the highrises in the vicinity of the airport. These were cleared years ago by the Airports Authority of India (AAI) but will soon be a cause for headaches to pilots on the third runway being built at the airport.

Awaiting Ground Clearance

The past 12 months have shown these are uphill tasks. Only the civil aviation ministry can get them done. So far, it has shown little inclination to do so. The CISF, for instance, took three days to respond to a request to beef up manpower at the Mumbai airport last Diwali. The civil aviation ministry did not demand the expedition of the deployments. GVK's drive for efficient use of the idle, second runway in Mumbai is constrained still by the crippling shortage of air traffic controllers (ATCs) — there are 605 air traffic controllers in India against the 802 needed. The country-wide ATC shortage is up from 96 to 197 since 2005. Rajiv Gandhi Bhawan, the headquarter of the civil aviation ministry, has been slow to get the nearly obsolete ATC equipment and the age-old navigation rules updated. Comfortable separating distances and flying speeds between trailing planes are wasting scarce airspace. The ministry, however, is far too busy choosing the finishing material for the airport's walls to notice.

For improving the airport experience for passengers, old mindsets have to be rattled. Short deputations of CISF employees, customs and the Ministry of External Affairs' immigration desk render useless the training given to them by GVK and GMR on how to handle passengers. Delays and chaos arising from a variety of such factors that are outside the control of the airport operators fuel passenger dissatisfaction — something that is routinely surveyed and they are marked on a scale of one to five. Starting from the dismal level of 2.2 at the time the two airports were handed over to them, GMR and GVK have managed to improve the ratings to about 2.75-3.0 levels. Failure to achieve higher ratings could soon attract penalties linked to the revenues from the airports. While the Changi airport at Singapore averages 3.8 on the same survey, the 2010 target for the two Indian airports is 3.5.

Wary of slipping on the ratings and frustrated with the lack of government support, GMR is asking for specific preference guarantee agreements with the Centre, the Bureau for Civil Aviation Security and the home ministry. It is seeking best effort for time bound provision of clearances from about 30 agencies —



including the Delhi Jal Board, power supplier BSES and the state governments — it interfaces for IGI airport's day-to-day operations. Admittedly, CSIA is better off due to a more sensitive state machinery in Mumbai that has put the crucial project on priority.

Yet, the CSIA is far from cruising. A brand new airport has to be constructed in its place while the number of passengers using it continues to grow exponentially. Nearly 26 million passengers will squeeze through the severely cramped CSIA this year. In 2006, it handled 21.4 million passengers.

The redevelopment of CSIA is made tougher by the inept handling of the government-owned AAI, now a minority partner in the project. Stomach this: for the first six months after GVK took over CSIA, it struggled to fix a boundary. Thereafter, first-time discoveries on the airport included a graveyard in one corner and the use of its land for overnight parking by scores of taxis of which the AAI had limited, if any, knowledge.

The whopper, of course, is the estimate of the airport land currently encroached by slum squatters. The bid document said 147 acres. In reality, the encroachment is twice as much. Embarrassingly for the AAI, the state government has certified it at 276 acres. That leaves CSIA with barely 1,976 acres for operational use, pending eviction.

Even more discomforting was the fact that nearly 950 acres of the land passed on to it had either none or multiple title deeds, raising several ownership claims. A lifeline from the state government has given GVK fresh property cards for nearly 1,000 acres.

Under Its Wings

The civil aviation ministry, however, has neither pulled up the AAI in spite of being its nodal department, nor prevailed upon it to get its act together on its many slips. Sadly, the ministry hasn't prodded the agencies within its purview enough. Predictably, national carrier Indian Airlines is resisting the new, streamlined space utilisation plan at the IGI airport. It is unwilling to share terminal 1A with low-cost carriers. AAI employees manning the airports run by it across the country forced those serving on the CSI airport to return the Diwali bonus paid out by GVK by threatening to strike. They were upset over missing out on the benefit. "How does one incentivise good performance," whines a source at one of the airport operators.

The agreements for upgradation of the two airports give GMR and GVK a say in allocation of slots for landings and take-offs to airlines. Most airports around the world do so. Yet, the civil aviation ministry has let state-owned Air-India allocate the slots for international flights even to its fiercest competitors.

On slots for domestic flights, the DGCA is holding forth. GVK says it would have preferred to auction the slots at the country's busiest airport in Mumbai as Heathrow does in London. Besides being more transparent, that would have maximised the revenue from the airport shared with the AAI. Patel is against auctioning of slots. And GVK isn't pressing, presumably, to stay clear of a head-on with the minister.

With traffic, especially on the domestic routes skyrocketing, viability is not an issue. The AAI's profits from the two airports have already doubled after GVK and GMR took over. GVK retained a profit of Rs 90 crore for 2006-07 even after paying the AAI's revenue share of 37.8 per cent.

Despite everything, GVK and GMR maintain there is no threat of delays yet. Work is on schedule for the first deadline of March 2008. Both have upscaled their projects, though. Delhi airport's modernisation cost has nearly doubled to Rs 8,000 crore and Rs 7,000 crore will now be spent on the Mumbai airport.

One reason why the two are splurging is because the formula for airport usage charges allows them to recover these investments in the form of revenue collections. At this rate, somewhere down the line, rising user charges will begin to pinch.

And although sticking to the deadlines may leave Patel unscathed, exorbitant charges would irk users. By focusing on issues that are not his forte, Patel may be missing out on a Dayanidhi Maran-like (former telecom minister) impact on sectoral reforms. And that would cost him similar stature in the industry. ■

Michael R. Sesit is a news columnist for Bloomberg

Carry trade takes a summer break

WATCHING the dollar and the yen rally during the subprime crisis, it may be tempting to conclude that the global forex market is entering a new phase. Don't bet on it.

Amid the recent liquidity squeeze, the yen surged against every major currency — rising to a 14-month high against the US dollar and chalking up its biggest gain against the New Zealand dollar in more than 30 years. Propelling Japan's currency higher were speculators racing to exit the yen carry trade. The strategy, which involves borrowing low-yielding yen and investing in higher-yielding assets, is still alive. "The carry trade is only in remission," says David Abramson, Montreal-based head of foreign exchange strategy at BCA Research. "Yen strength is based on liquidation of bearish positioning, not bulls entering the market."

The dollar's prospects are not bright. Goldman Sachs Group, two weeks ago, lowered its dollar forecasts. It told clients the euro would rise to a record $1.43 within the next 3-6 months. That compares with an earlier forecast of $1.35 and a current level of about $1.37.

That's bad news for European cross-border investors. Their US stock and bond holdings will be worth less in terms of euros and other European currencies. A stronger euro, which has risen 65 per cent against the dollar in the past seven years, will also make European companies less competitive on world markets.

Goldman's logic: "The weakness in US credit markets will lower foreign demand for US credit products, weakening the flow dynamics for the dollar," says Jens Nordvig, a New York-based senior economist at Goldman.

Furthermore, there is potential for additional 'decoupling' of growth between the euro zone and the US, he says. That, in turn, should help shrink the gap between US and European interest rates, lowering the appeal of dollar-denominated assets to international investors.

So, anyone for $1.50? Futures prices indicate that traders figure there is a 54 per cent chance that on 18 September the US Federal Reserve will cut the target for its federal funds rate — the interest banks charge one another for overnight loans — by half a percentage point.

Such cuts might depress the dollar, especially if the European Central Bank resumes raising rates. "Adding aggressive rate cuts to these measures would make the market conclude that the Fed has created a massive capital market safety net," says Hans Redeker, London-based global head of foreign-exchange strategy at BNP Paribas SA. That would lure investors into riskier investments and drive the euro above $1.40, he says. Meanwhile, "carry trades will be a theme over the next 3-6 months", Abramson says. Confronted with a sputtering economy, "Japan's central bank has no reason to normalise interest rates". Although Asian economies are booming, Japanese consumer confidence is at almost a three-year low, and deflation continues to haunt the country's economy.

Japan's GDP grew at an annual 0.5 per cent rate in the second quarter, down from 3.2 per cent in the first quarter, according to preliminary data. And the second-quarter figure is expected to be lowered to minus 0.7 per cent. Export growth is also slowing.

Credit Suisse economists predict the Bank of Japan will raise its interest rate 0.25 percentage point to 0.75 per cent on 31 October. But the risk is that the central bank will delay raising rates, says Andrew Garthwaite, London-based head of global equity strategy at Credit Suisse. "Thus the interest-rate differential between Japanese and US assets is set to remain abnormally high." And that's good for the carry trade.

For years, currency traders and investors have figured the day would come when the dollar finally rises in earnest and the carry trade fades into oblivion. They just better hope the catalysts aren't the troubling ones of the past few weeks. ■

The yen carry trade, unlike what many believe, has not died out. With the yen becoming stronger, the dollar could be in trouble

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Mr. Yuichi Nozawa
General Manager, Toshiba Singapore

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The other focus is on solution instead of only addressing to the hardware demand. As box selling is no longer productive to most businesses, the provision of solution and consultancy services will value-add to customers' productivity and efficiency.

"An added advantage for customers would be to simplify business processes, workflows and maximize the use of shared resources", said Ms Nalini Jolly, Country Manager Toshiba India. "Looking at the A3 Indian MFP market, it is growing at a rate of 30% in terms of units and we feel it will continue the same way. However, market revenue growth has surpassed the unit growth rate and it will continue to do so in coming years. Seeing this trend, we will be balancing our growth in units with revenue as we do not want to loose any opportunity", added Jolly.

Ms Nalini Jolly
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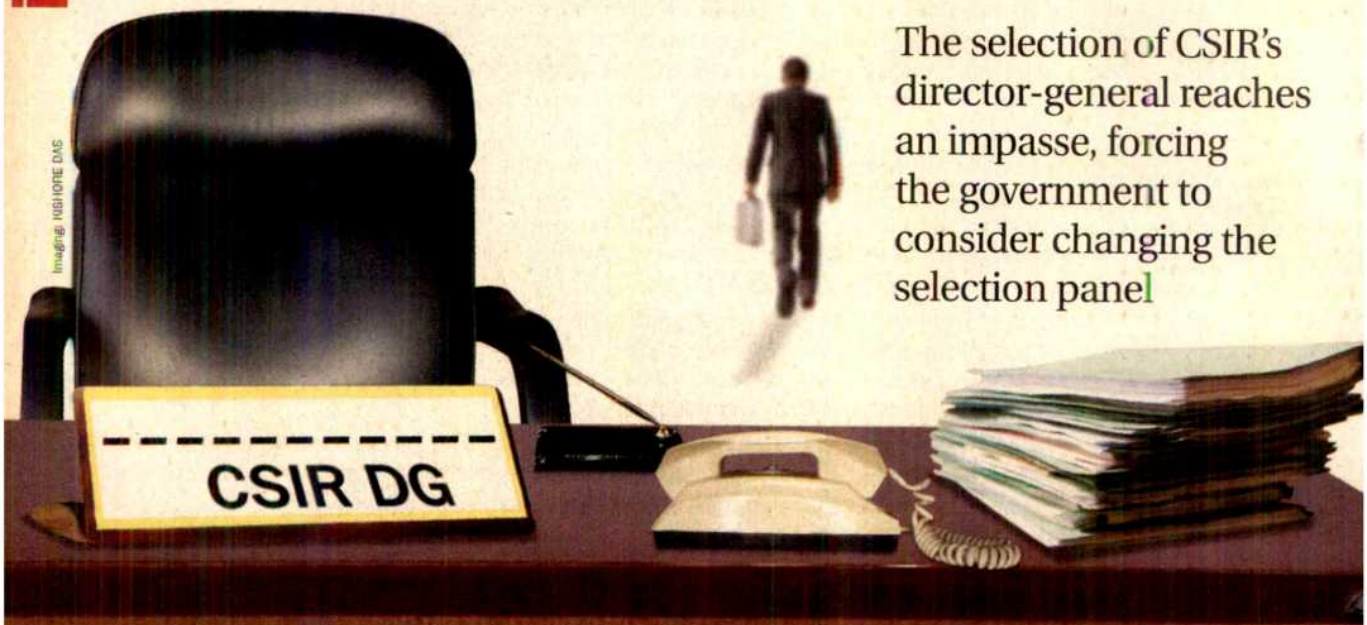

Imaging: KISHORE DAS

The selection of CSIR's director-general reaches an impasse, forcing the government to consider changing the selection panel

they come, and they go...

P. HARI

PUBLIC memory is short, but many people connected with Indian science and business would remember that R.A. Mashelkar retired as the director-general (DG) of the Council of Scientific and Industrial Research (CSIR) on 31 December 2006.

At least some of these people would also remember that V. Prakash, then director of the Central Food Technology Research Institute (CFTRI) in Mysore, was named as Mashelkar's successor. An even smaller number would remember that Prakash withdrew at the last minute, choosing to continue as the CFTRI director. Only a coterie of scientists, bureaucrats and politicians know what happened next.

Prakash was chosen more than a month in advance, which was an unprecedented step for CSIR. The government wanted him to work as Mashelkar's understudy for a month in the headquarters before he took over the reins. Prakash was full of beans initially and had enthusiastically crafted his vision for the organisation. He had planned his office layout and even ordered the furniture.

On or about 10 December, things changed for Prakash. He became ill with what he thought was a serious and debilitating disease. Those who met him at that time found him trembling and fearful, uncertain about whether he could take up the responsibility, the true nature of which he had tasted by then. Prakash withdrew as director-general by the third week of December.

The committee that had selected him consisted of Cabinet Secretary T.K.A. Nair, and some distinguished and honourable scientists, C.N.R. Rao, Goverdhan Mehta, M.M. Sharma, Prakash Tandon, all (except Tandon) fellows of the Royal Society in London. They had gone through the unusual process of interviewing some candidates before they selected Prakash.

A Headless Body

The interviews were apparently inconclusive, and Prakash was chosen because he was the seniormost. Pushpito Ghosh, director of the Central Salt and Marine Chemicals Research Institute (CSMCRI) in Bhavnagar, was recommended as deputy director-general, a job that had not existed till then. This recommendation was overruled by Kapil Sibal, the minister for science and technology.

After Prakash gave up his designated post, CSIR remained headless for a long time. Meanwhile, Prakash had a change of heart and expressed interest in taking up the job. The committee members contacted the minister unofficially, but the minister now did not want him back. The committee, then, met officially and called a few scientists for the interview. Some of those called for the interview did not turn up, and some other candidates who would have turned up were not called.

So, there were only two scientists who were interviewed: Ghosh and V. Chauhan, director of the International Centre for Genetic Engineering and Biotechnology (ICGEB) in Delhi. The interview with Ghosh went smoothly. Chauhan and the committee members had fierce arguments, and his interview thus became a non-event as far as selection of the DG was concerned. The panel recommended Ghosh as the CSIR DG.

Previous CSIR DGs were all known internationally for their research before they became head of the institution. The last few directors-general were presidents of the Indian National Science Academy (INSA). Ghosh was not even a member of the academy, a fact that was noticed by Sibal. Ghosh had indeed made a reputation as the CSMCRI director, and was considered a good administrator, but Sibal did not want a scientist who was not a member of the prominent science academies to be the CSIR director-general. So the recommendation of the selection committee — made in the third week of June — was not accepted by the government.

Meanwhile, CSIR continued to be headless. After a few months, in March, T. Ramasami, secretary of the Department of Science and Technology (DST), was given additional charge as CSIR DG. Ramswami was reluctant to take up the job and had more than once expressed his desire to not continue with the additional job.

But things had come to a standstill. There were no more candidates for the panel to interview. Or, to be precise, there were no more candidates that the panel members unanimously liked, and who were also willing to take up the responsibility of the post. Would the panel members recommend someone they did not like? Didn't we say that some scientists were not called?

Indian scientists, like their colleagues in other countries, operate in cliques. Those with contrarian views are not admitted to the clique, nor are those who are likely to challenge their authority. It is difficult for some members of the current panel to accept candidates who are not one of them.

So there was only one way out for the government: form another selection committee. The government has decided to dissolve the current committee, and it is now only a matter of time before a fresh selection committee is formed.

In a few weeks, we will know who the members of the new selection committee will be. That would also give an indication of who would be called for the interview, and who are likely to be recommended. Yet, it may not be totally impossible for the government to select distinguished scientists who are known to play fair. One could pick out one or two such scientists even from the current panel. So, are we going to finally see a head for CSIR? ■

Bosses over the years

Name	Period served
S.S. Bhatnagar	1942-54
M.S. Thacker	1955-62
S. Hussain Zaheer	1962-66
Atma Ram	1966-71
Y. Nayudamma	1971-77
A. Ramachandran	1977-78
M.G.K. Menon	1978-81
G.S. Sidhu	1981-84
S. Vardarajan	1984-86
A.P. Mitra	1986-91
S.K. Joshi	1991-95
R.A. Mashelkar	1995-2006
V. Prakash (DG designate)	Dec-2006
Maharaj Kishen Bhan (acting)	05.01.2007-06.03.2007
T. Ramasami (acting)	07.03.2007 onwards

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MALAYSIA'S former Deputy Prime Minister Anwar Ibrahim is on the comeback trail. He is preparing for elections in 2009 by crisscrossing his country to bolster the ranks of his Keadilan Party. But Ibrahim suspects that Prime Minister Abdullah Ahmad Badawi may advance elections to 2008 to keep him out. He cannot hold public office until June next year because of a court order. He spoke with *BW's* Dinesh Narayanan while on a private visit to India recently. Excerpts:

■ *How smooth do you think your comeback will be?*

■ It is not easy. The system is not free. Elections are not fair. And there is no free media. Judiciary is not independent. How do you vote for the democratic process to change? But I think we can (come back to power).

■ *Do you believe your party has a base big enough to get you elected?*

■ Yes. But the media is not portraying it that way. I spend a lot of time — six days a week — in the districts. I go from village to village, district to district. I am quite optimistic. It is not going to be easy when you are dealing with politicians with billions of dollars and the entire machinery of the media at their disposal. But I think we will make a major impact.

■ *You were identified with western institutions such as the World Bank and the IMF in the 1990s. Do you believe that the policies you followed then are valid now, especially since the two institutions' policy prescriptions for developing countries have been drawing a lot of flak?*

■ It depends on who you talk to. Mahathir told Muslims that I am a Jewish agent and to the Americans that I am a Muslim extremist. I cannot be both. Now, the son-in-law of the prime minister calls me a Jewish agent as well as an American agent, a traitor to the Malays, and that I am appeasing both Indian and Chinese interests. So, he said he will hound me. I rebutted with an Elvis Presley song, *'You ain't nothing but a hound dog'.*

Factually, I was the chairman of the development committee of the World Bank and the IMF. I was instrumental in the regime of James Wolfensohn and Gordon Brown in the debt conciliation programme for highly indebted countries. When I was the finance minister, I had publicly said in Jakarta that when disbursing funds, we couldn't impose conditionalities that cause hardships to people. In 1991, we had a deficit budget; in 1992, a balanced budget and; in 1993 a surplus one. The moment we became surplus, I ceased taking funding from the bank. It is on record. By 1998, I was in jail and, in 1999, Mahathir went back to the bank for funds. But publicly he is anti-World Bank and I am pro-World Bank. It is not correct to say that I subscribed to the IMF and the World Bank policies. What did I subscribe to? Governance, yes. Anti-corruption laws, yes.

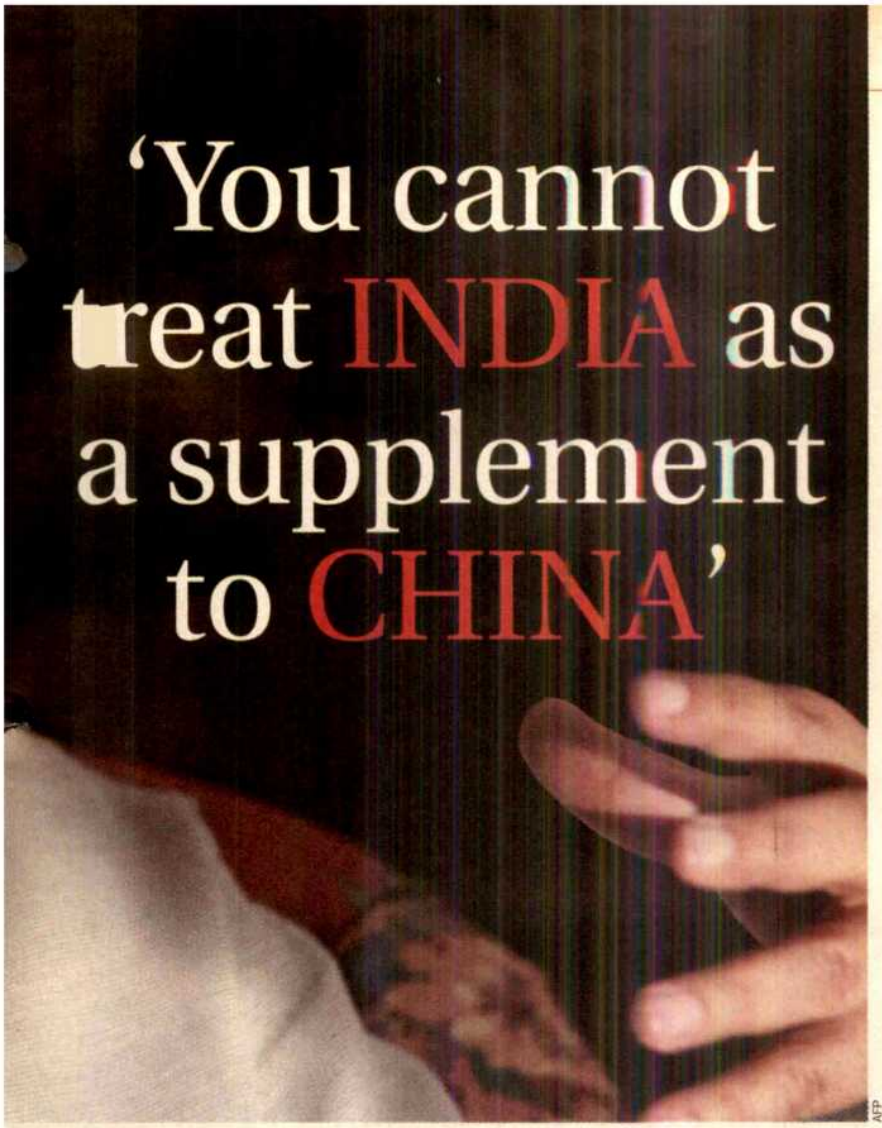
Actually, I used the opportunity to tighten the screws on governance policies, open tenders, and disciplining the banks. What's wrong with that? Can only the IMF talk about anti-corruption? Why can't we talk about anti-corruption?

■ *What would be your economic agenda if you come back to power?*

■ I would strongly pursue market economy, market-friendly policies. No question about that. I would tackle issues such as poverty and employment through public education and public housing, which are very critical. Because I see that market-friendly government policies tend to neglect or defer the social agenda. I think they should be together. Malaysia has lost its competitiveness — from No 17 in the 1990s to 50 now. We have lost FDI — from No 1 in Asean to No 5.

I would also change the obsolete policy of favouring the Malays. Because, on the pretext of helping the Malays, what they did was to enrich their cronies. Millions of privatisation contracts went to the prime minister's

'You cannot treat INDIA as a supplement to CHINA'



AFP

cronies. Abdullah gave a 3 billion-ringitt Petronas contract to his son. Najib took half a billion to give a contract to somebody else and millions to buy Sukhoi jets from Russia. They call it commission, legitimate commission, I call it corruption.

■ *Where will you find money to fund your policies? Public education and housing will cost a lot.*

■ If you contain the wastage through corruption in mega projects, you can raise a few billion. If you take the 3 billion that Abdullah gave his son and the others, you save a few billions more. The profit of Petronas alone is 70 billion ringgits. Let's say, tomorrow, we reduce petroleum prices and its revenues become 60 billion. If we spend 10 billion on poverty alleviation and another 10 billion on education, we still have an excess of 30 (sic) billion. That is just Petronas alone. Malaysia is not a poor country.

■ *In the context of Asean and South Asian politics, what will be your approach to other countries, especially China and India?*

■ First, I am a firm believer in increasing collaboration within Asean. Any difficulty in the coalition will not be in the interest of Malaysians and Singaporeans. Our development in the south will depend on the confidence that Singapore has. Vis-à-vis India, it is very important. I think if we look forward to an Asian summit, there is no reason why India should not be there. Not because I have a bias towards India but because it is part of Asia. It is an important economy. And it has a democratic process. We should continue the advanced relations with China, but you can't treat India as a supplement. It should be part of the core.

■ *Do you share Japanese premier Shinzo Abe's vision of an 'arc of freedom and prosperity across Asia and the Pacific'?*

■ Yes, I think it comes under the Asian formation. He just used a different term.

■ *But the way he said it, I think the arc stopped short of China.*

■ Yes, that's true. He did not actually spell it out. I was looking into the subtext. It was not really spelt out. His was a clever sort of play on words. I don't think it makes sense. There is no way you can ignore China. Mahathir took the other extreme — China included and India on the periphery. It doesn't make sense. If there can be a NAFTA and an EU, why can't we have an Asian coalition?

■ *So, you favour free trade within Asia?*

■ Yes. I said publicly during the East Asian summit in Kuala Lumpur that we should not be tied down by the obsolete thinking of Mahathir and should call it an Asian summit. Even Australia and New Zealand are part of Asia. They are whites, all right. But as much as you don't want Americans to be racist, you cannot be perceived as racist too. But the important thing is the Indian role. I think it is not only purely economic but also geopolitical considerations.

■ *What role do you see for India?*

■ In this region, India is a strong democracy and a strong economy. I am quite optimistic about it.

■ *But will other Asian countries accept India in a leadership position?*

■ No. We don't call it an Indian leadership or Chinese leadership. It is an Asian grouping in which we have China, India, Japan, and Asean. There would be a balance.

■ *Are you for a common Asian currency?*

■ It will take time. I don't subscribe to a purely political prescription for an economic problem. It does not make economic sense now. But ideally, yes.

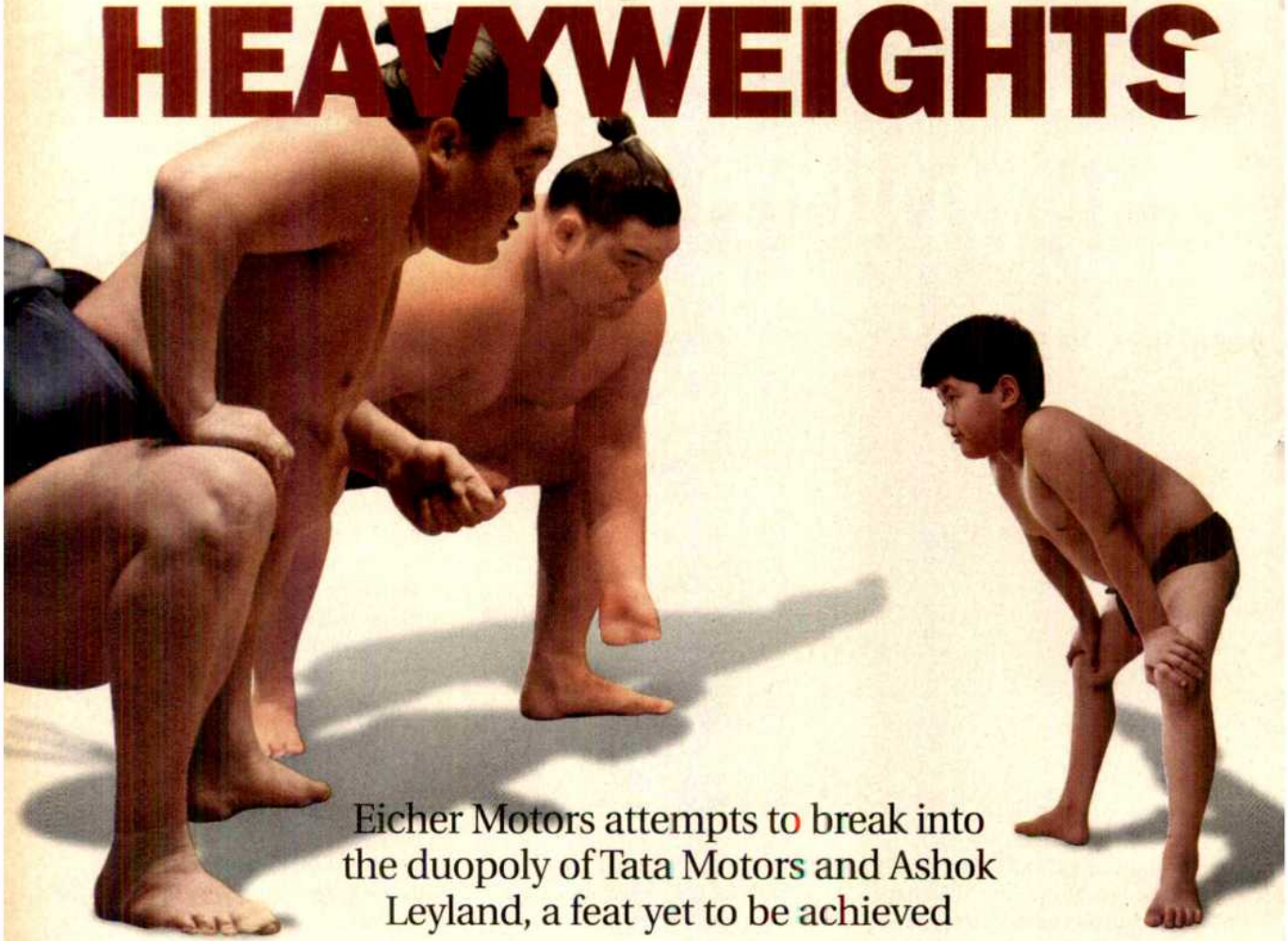
■ *I am told that China is trying to get the academia in Malaysia to debate accepting yuan as the common currency.*

■ Yes, there is some debate. But mostly because many of these academics do what the government asks them to do.

■ *Is it gaining currency?*

■ I don't think so, except with the government academics. ■

Taking on the HEAVYWEIGHTS



Eicher Motors attempts to break into the duopoly of Tata Motors and Ashok Leyland, a feat yet to be achieved

FEROZ AHMED

IT is like a small fish chasing the sharks. Delhi-based light and medium truck maker Eicher Motors (FY2007 revenues Rs 1,953 crore) is looking to grow out of its Rs 6,000-crore nick of the market. It wants to enter the forbidding, yet lucrative, Rs 30,000-crore heavy trucks market, an exclusive preserve of Tata Motors and Ashok Leyland. Eicher is a quarter of the size of Ashok Leyland and less than one-tenth that of Tata Motors. But necessity is the mother of bravery.

Eicher's staple market is stagnating, while that for heavy vehicles is booming. The 33-year old, Bullet-riding CEO of the company, Siddharth Lal, knows the enormity of his ambition. He says, "We believe we can do what nobody else has been able to achieve in the past five decades." That is, to prise open the heavy commercial vehicles market from the two giants. He is even willing to sell a piece of his company to anyone who can help him.

In the past few months, Lal has received feelers from many companies to buy a strategic stake in Eicher Motors, where his family and associates hold 58 per cent of equity. But Lal dismisses the reports of him wanting to sell majority stake in the company as grossly exaggerated. He insists Eicher is looking to expand rather than get swallowed. In July, he received the board of directors' nod to evaluate offers. Since then, reports of the company's possible acquisition by the Hyundai and Daimler groups have emerged and have been denied, too.

Lal came to be seen as a seller after he sold Eicher Motors' profitable tractors business in 2005 for Rs 310 crore to the Chennai-based TAFE Group. Also, in 2006, the Eicher board resolved to separate the Royal Enfield motorcycles division, if a partner could be found.

Manufacturing trucks and buses is central to Eicher's business. During the 2006-07 financial year, 85 per cent of the company's Rs 1,953-crore revenue and 98 per cent of its Rs 87-crore operating profit came from commercial vehicle sales. Still, Eicher finds itself playing in the dullest part of the commercial vehicles market and it must either go up the weight category or down to stay relevant. Up is the way, according to Lal.

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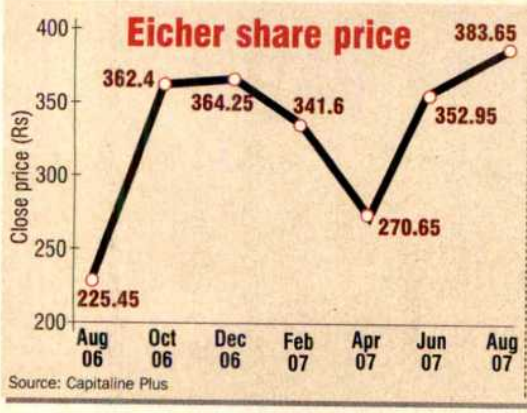
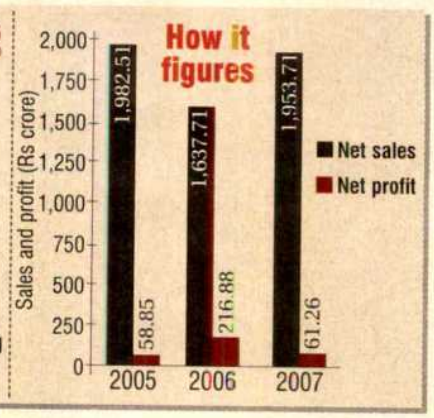




Growing tendencies

The market share pie, as it stands

	Cargo vehicle	Passenger vehicle
Heavy trucks (12-25 tonnes)		
Tata Motors	62.0	51.1
Ashok Leyland	35.5	45.3
Eicher Motors	2.5	2.5
Market growth	**50.7**	**4.0**
Eicher's growth	**30.6**	**258.0**
Medium trucks (7.5-12 tonnes)		
Tata Motors	47.1	27.2
Ashok Leyland	3.7	12.8
Eicher Motors	37.2	24.5
Market growth	**12.3**	**-8.0**
Eicher's growth	**14.7**	**40.3**
Light trucks (5-7.5 tonnes)		
Tata Motors	67.1	63.0
Eicher Motors	16.3	10.1
Market growth	**-12.6**	**18.5**
Eicher's growth	**8.0**	**24.0**

All figures in per cent; Growth indicated is over the period — April 06 to March 07; Source: SIAM

According to the Society of Automobile Manufacturers of India (SIAM), in FY2007, truck sales in the sweet spot of the heavy vehicles segment — 12-25 tonnes — shot up 42 per cent. In this segment, Eicher sold merely 4,284 out of the total 176,131 vehicles. Within this segment, Eicher wants to focus on the 16-25 tonnes category, which grew 100 per cent last year. Eicher sold 1,448 of the total 87,153 vehicles here.

Its staple segments did not do well in comparison. The light commercial vehicles (5-7.5 tonnes) market shrank 5 per cent in 2006-07. One-third of Eicher's sales last year came from that market. This segment is being eroded by mini-trucks such as Ace from Tata Motors. The sales of sub-3 tonne trucks shot up 30 per cent last year. Even in the medium commercial vehicles (7.5-12 tonnes) market, which is Eicher's bread and butter, the sales growth was only 12 per cent last financial year. Almost half of Eicher's vehicle sales come from this market.

To begin its intended attack on Tata Motors and Ashok Leyland in the heavy trucks market, Eicher is increasing its capacity of 38,000 vehicles a year to 50,000 by the end of this financial year. Tata Motors has a capacity to make 138,000 medium and heavy trucks and buses a year and Ashok Leyland's capacity is 90,000. Both are planning to double capacity over the next 4-5 years. Tata has 51 per cent of the 16-25-tonne trucks market and Ashok Leyland, 47 per cent. Swedish truck maker Volvo occupies a tiny niche.

Historically, nobody has succeeded in challenging the duopoly in this market. Before Volvo, in the 1990s, Ford-Amalgamation and Isuzu-Hindustan Motors combines tried to break it but failed to match the duo's costs and distribution.

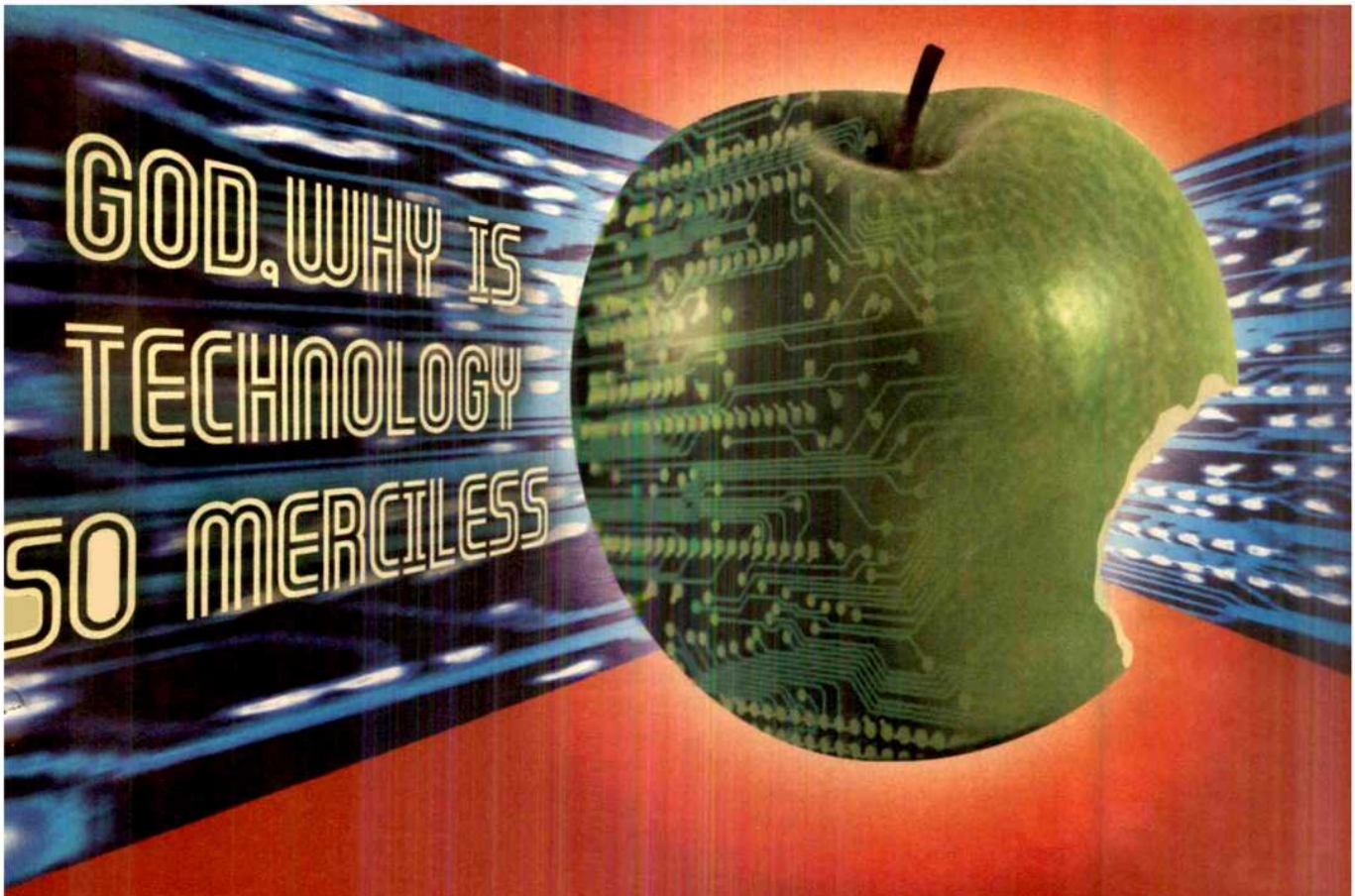
Is Lal foolhardy in trying to get into the lane of the big boys? Not really, says SSKI Securities' Vice-President of Research S. Ramnath. "Even a slice of the big heavy trucks market will do a lot of good to Eicher," he says. "And Eicher has built a strong brand name in smaller trucks, which it can leverage to get its existing customers to buy its heavy trucks." However, he does not see Eicher upsetting Tata Motors and Ashok Leyland. According to him, 90 per cent of the heavy trucks are bought by individual operators who are extremely sensitive about widespread and cheap availability of service and spares, which only the established players can offer.

So, Lal has started out by getting his corporate customers to buy heavy Eicher trucks and backing them up with intensive service and spares. Eicher has succeeded in selling a few big trucks to transport companies such as Delhi-based TCI and Jaipur Golden, and Hyderabad-based DRS Logistics. Dayanand Agarwal, chairman and managing director of DRS Logistics, says that he is adding Eicher trucks to his fleet because of their 10-15 per cent better fuel-efficiency and dedicated service back up. "For us, Eicher's USP has been its service," he says, adding that the only way Eicher can challenge Tata Motors and Ashok Leyland is by providing prompt and quality service — something that the established players often leave to freelancers.

Eicher may also get a break if and when the government imposes stiff safety standards for cargo vehicles. Lal claims Eicher's trucks are a generation ahead of competition in driver cabin technology. "Currently, the most popular safety feature in trucks is the absence of doors in the driver cabin, which allows drivers to abandon the vehicle quickly in case of a crash," he quips.

Eicher is now staring at the challenge of meeting Bharat IV norms, which will come into effect in 2010 and will be 30-40 per cent more stringent than the prevalent Bharat III norms. "Frequent engine upgrades are complicated and expensive," says Lal. That is why he wants a partner who can help upgrade Eicher's technology in future and also give it market access abroad. Lal says he is open to all possible kinds of partnership — from giving equal stake in Eicher to forming product or component-specific joint ventures.

However, lack of a perfect partner isn't preventing Lal from racing the big boys. "We may not have their scale or their clout with vendors, but we believe we have the products for the time," he says. He aspires to haul a larger chunk of the big trucks market. Provided, history does not repeat itself. ■



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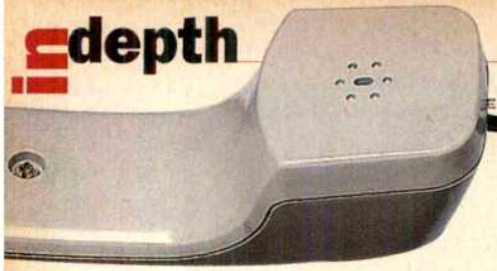


Licence to divide

ANUP JAYARAM

THE Telecom Regulatory Authority of India's (Trai) recommendation to the Department of Telecommunications (DoT) to lift the cap on the number of mobile service providers (6-8 per circle currently) has caused a stampede with as many as 160 new applications for 22 circles within the last fortnight. But the nature of these recommendations favouring the new applicants now threatens a standoff in spectrum allocation.

Those in the running for new licences include telecom players such as Delhi-based Himachal Futuristic Communications (HFCL) and Spice Telecom. Others include Swan Telecom, Cheetah Corporate Services (reportedly controlled by Reliance Communications), Bycell Telecom, Datacom Solutions and Pradeep Jain-led real estate group Parsvnath. The Essar Group, which has a 33 per cent stake in Vodafone Essar, has sought a separate licence for 21 circles under BPL Mobile. Essar had acquired BPL Mobile in 2005. And although there is no confirmation yet, Reliance Industries is also believed to be examining the mobile telephony sector.

Ironically, Trai's recommendations are so heavily loaded in favour of the new entrants that the association of GSM operators, Cellular Operators Association of India (COAI), is all set to go to court against the new norms. Says COAI Director General T.V. Ramachandran, "The new norms will not undergo technical or legal scrutiny." Trai Chairman Nripendra Misra, however, is undeterred. "There can always be a review," he says. "If they want, they can always go to court."

While Trai suggested removal of cap on the number of players, it also recommended tighter norms for spectrum allocation. And if DoT agrees with Trai, existing mobile operators will be at a disadvantage vis-à-vis newer entrants because they will have to raise their subscriber base by 2-6 times to be eligible for additional spectrum. Going by the DoT norms, each of the new entrants are eligible to get up to 4.4 Mhz of spectrum in the first go.

Take the case of IDEA Cellular, which currently has 10 Mhz spectrum and 3.47 million subscribers in Maharashtra. According to the recommendations, it needs to more than double its subscriber base to 8 million in the state to requisition the next tranche of 2 Mhz. Similarly, Bharti Airtel has 1.82 million subscribers in Gujarat with 6.2 MHz spectrum. To get to 8 MHz, it needs to have 3 million subscribers. Vodafone Essar, with 2 million subscribers in Karnataka on 8 Mhz of spectrum, will need to increase its subscriber base by 150 per cent to 5 million before it can get additional spectrum. Going by the July 2007 subscriber numbers, of the existing operators only Bharti Airtel can get additional spectrum, that too, only in Delhi and West Bengal right now. It will have to add 1.2 million subscribers in Gujarat and 2.8 million more in Karnataka for the next tranche.

COAI's Ramachandran argues that the Trai recommendations are flawed and are based on incorrect assumptions. In a letter to DoT Secretary D.S. Mathur on 6 September, the COAI states that "the Trai study paper on quality of service of mobile operators in Delhi and Mumbai in September and November 2005 had stated that operators are facing a shortage of spectrum due to high growth and delay in allocating spectrum".

Worse, when the government starts allocating spectrum vacated by defence forces, the big telecom players will be second on priority list. First, it has to grant spectrum to those companies that have already secured licences in a bid to expand to new circles, but haven't yet been allocated spectrum there.

These include IDEA Cellular in Mumbai and Bihar, Vodafone Essar in the six C circles (Himachal Pradesh, Bihar, Orissa, J&K, Assam and North-East) and Aircel in 13 circles, including Delhi and Mumbai. With that, Vodafone Essar and Aircel will have a nationwide presence while IDEA will have operations in 13 of the 23 telecom circles.

Tightening the noose

Circle	Subscribers at 10 MHz (2006)	Subscribers at 10 MHz (New)
Delhi/Mumbai	1	2
Chennai/Kolkata	0.6	2
A	1.4	5
B	1	5
C	0.6	4

*CDMA operators have to follow the same norms for getting 5MHz
Figures in million Source: Trai

The telecom regulator's recommendations could lead to a legal battle for spectrum between existing and aspiring mobile service providers

Contentious issues

Issue	What it means	Who gains
No cap on players in a circle	Tough competition, need not lead to lower tariffs	All new entrants
Tighter norms for spectrum*	Existing operators will have to invest in capital expenditure	Existing licencees to get spectrum. New entrants could get 4.4 MHz to launch services
Spectrum pricing over 10 MHz	Existing operators have to cough up more	New operators will not need that kind of spectrum for years
Mergers & acquisitions	Cap of 40 per cent of both subscriber base and revenues	Big players can easily acquire small operators
Dual spectrum usage	Operator can provide both GSM and CDMA services	Reliance Communications has a presence in both areas

* See adjoining chart 'Tightening The Noose'

In fact, on behalf of these licence holders, the COAI has already filed a legal notice against the DoT on non-availability of spectrum to its members despite the fact that the licences had been issued as far back as 3-4 years.

The New Gold Rush

Telecom analysts such as Richard Kramer of London-based telecom consulting firm Arete, however, believe that the race to grab licences is driven by a greed similar to the SEZ land grab and could be a precursor to spectrum trading in the garb of mergers and acquisitions. Especially since a majority of the new applicants do not have the financial muscle to invest $4 billion-5 billion upfront for a nationwide telecom network. Given that there are no regulations yet against spectrum trading, this appears to be the newest gold rush in telecom.

TRIBHUWAN SHARMA

MAKE OR MAR: Communications Minister A. Raja has to take a decision on spectrum soon

Many new applicants may be in the race to acquire a licence only to be eligible for spectrum allocation. Once they get the spectrum, they may merge with an existing operator, which would multiply the spectrum between the two of them. Trai has also recommended that the existing cap of 15 MHz (in metros and A circles) and 12.4 MHz (in B and C circles) per operator be removed to facilitate mergers. Hence, technically, the spectrum held by both the operators will be merged. Current regulations require the merged entity to surrender excess spectrum in the event of a merger. It is feared that this would encourage new applicants to hoard spectrum to sell at a higher valuation later. But despite the threats by existing operators to drag the issue to court, the new applicants are pushing forward. "The Trai recommendations are very fair," says Mahendra Nahata, managing director of HFCL. "There is no reason to complain. If there is any scarcity of spectrum, it is only in parts of Delhi and Mumbai."

Nahata believes there's enough scope for 10 operators in India. But as an official at India's largest mobile company Bharti Airtel points out, "It's foolhardy to believe that the consumer will gain with 10 operators. When capex needs of operators rise exponentially, the first thing to increase will be tariffs."

Both Trai and telecom operators now await a signal on the recommendations from Sanchar Bhavan, the DoT headquarters. But industry players such as Bharti and Vodafone Essar already fear a replay of the long-drawn legal battle of 2001 between the CDMA and GSM players over limited mobility.

Any standoff at this stage could defer the spectrum allocation that is so badly needed to decongest the networks. Finally, it will be in the hands of Communications Minister Andimuthu Raja to ensure that growth in India's fastest growing sector continues unabated. It's time the minister took the call and, that too, quickly. ■

A new ord

GURBIR SINGH

OVER the past few weeks, Zee TV's old talent hunt show *SaReGaMaPa* has grabbed the top two slots (for the two days it is broadcast) among the most-watched programmes on Indian television. In the process, it has displaced Star Plus' *saas-bahu* serials that have ruled over Indian drawing rooms and kitchens over the past eight years. Does this herald a new pecking order in the Rs 16,000-crore broadcasting industry?

Kyunki Saas Bhi Kabhi Bahu Thi and *Kahani Ghar Ghar Ki*, launched in 2000 along with Amitabh Bachchan's *Kaun Banega Crorepati (KBC)*, proved to be the magic formula that catapulted Star Plus from a poor No. 3 performer to India's No. 1 channel. Star galloped along to become the second largest media company after the Times Group with annual revenues of over Rs 1,500 crore. Zee TV, which ruled the early television waves, was dethroned.

After eight years in the wilderness, Zee is back in the reckoning. Over the past 2-3 weeks, the *saas-bahu* serials have lost the top slots to *SaReGaMaPa*. The latest week's TAM Media audience meter also revealed that Zee TV accounted for as many as 20 programmes of the Top 50 shows on Indian television.

Despite having fielded Shah Rukh Khan's *KBC 2* early this year, Star Plus has been steadily losing ground. In terms of total channel share, Zee is closing in on Star Plus. Over the past five calendar quarters, while Star Plus fell from a 47 per cent share of the entertainment pie to 36 per cent, Zee TV grew from 23 per cent to 29 per cent. Since the third big contender, Sony Entertainment Television (SET), maintained a steady 13-14 per cent share over this period, it is obvious Star Plus' loss has been Zee TV's gain (see chart 'Steady Climb' on page 53).

Star Plus is losing its monopoly to rival channels. And Zee TV is back in the reckoning after an eight-year lull

The Return Of Zee

Will Zee TV rule again as king of entertainment television, or will Star Plus' expected counter attack help the latter fend off the challenge?

To put it in perspective, Hindi entertainment channels account for as much as 75 per cent of national viewership and 80 per cent of the advertising revenue. News, kids channels, and English movie and entertainment channels together make up the balance. At stake annually is Rs 4,800 crore of the approximately Rs 6,000 crore in ad spends riding on television; and another Rs 10,000 crore that accounts for the broadcasters' share of the subscription revenues from cable and DTH distribution.

On Zee TV's strategy for taking on Star Plus, Zee's vice-president for marketing, Tarun Mehra, says the build-up has been slot-by-slot. The network's first breakthrough came two years ago with the soap *Saat Phere*, which broke into the top league in the 9.30-10.00 PM slot. With *Saat Phere*'s success, Zee TV, which was a distant No. 3, overtook Sony around the beginning of 2006. The network quickly followed up with other soaps that became popular such as *Kasamh Se* and *Betiyan Ghar Ki Lakshmi*.

However, Zee's biggest performer has been the talent hunt for singers, *SaReGaMaPa*. The show has been around for 14 years but it has shown big results over the past two seasons. "Celebrity singers such as Vishal-Shekhar and Himesh Reshammiya appearing as judges and often joining the contestants as singers has given the show a cutting edge," says Zee spokesperson Ashish Kaul.

Zee's rise is also a case study in learning from mistakes. Bad marketing and lack of brand-building was tackled by Pradeep Guha, who took over as CEO of Zee Telefilms in January 2005. The former brand-and-ad guru from the Times stable turned around a stodgy Zee network with a new look right down to its new, funky logos. Ashwini Yardi, head of programming, contributed by spotting the scripts that worked. His recent moving out is seen as a loss for Zee.

Expectedly, Zee TV has been busy

BACK FROM THE WILDERNESS: With popular shows such as *SaReGaMaPa* (far left) and *Saat Phere*, Zee TV is regaining its lost turf

er looms

monetising its larger audiences. After its latest hike in ad rates by 20 per cent, airtime on prime-time shows is sold at around Rs 70,000 for 10 seconds compared to an average of Rs 1,10,000 for Star Plus' top performing *saas-bahu* soaps.

But leader Star Plus is obviously not just wringing its hands in despair waiting to be overhauled. The channel has a slew of new soaps and shows to take on Zee's best performers. While Star is behind on the talent hunt shows for singers, its dance show *Naach Baliye* has performed well on the Star One channel. It will now be shifted on to Star Plus to hit Zee TV. Star's big challenge, however, is to replace its two main aging pillars — *Kyunki...* and *Kahani...* "We are considering phasing out the two soaps," says Star spokesperson Yash Khanna. "They've run for 8 years. But we have to find a replacement first."

Outlining Star's long-term strategy, Uday Shankar, COO and head of Star India, said, "Star will gain by creating new viewers. We need not take away from the others. Like we created the late-night prime timeslots with *Kyunki...* and *Kahani...*, we will create new prime time out of early eveningslots like 6.00-6.30 PM."

The Bigger Pie

With Zee TV contributing 75 per cent of the group's revenues, it runs the fortunes of the company Zee Entertainment Enterprises (ZEE). Zee's worst year was FY2006, when its flagship channel was behind both Star Plus and Sony. Net profit fell to Rs 69 crore from the earlier year's Rs 169 crore, triggered by a sharp fall in advertising revenues. However, for the year ended 31 March 2007 — when Zee TV's shows began to work — profit after tax grew 140 per cent to Rs 166 crore.

The future is only going to be tougher for all the competitors. Six or more new general entertainment channels are close to launch, and eyeballs will be divided over an increasing number of television shows. The new players include INX Media, promoted by Peter and Indrani Mukerjea, NDTV Imagine, headed by former STAR CEO Sameer Nair and UTV's Bindass. Interestingly, most of these channels have roped in the same content production companies in the circuit such as Balaji Telefilms, Siddhartha Basu's Synergy Productions and BAG Films, and may therefore cannibalise each other's audiences.

There is also the danger of audiences being spread thin over too many shows, thus jeopardising the TRP-led advertising standards. For instance, the all-India Television Rating Points (TVRs) for the top Star Plus shows '*Kyunki...*' and '*Kahani...*' two-three years ago claimed TVRs that were as high as 11 and 12. They are currently notching TVRs varying between 3.8 and 4.2 but still managing to be top performers. This obviously reflects a dispersal of eyeballs over an increasing number of shows.

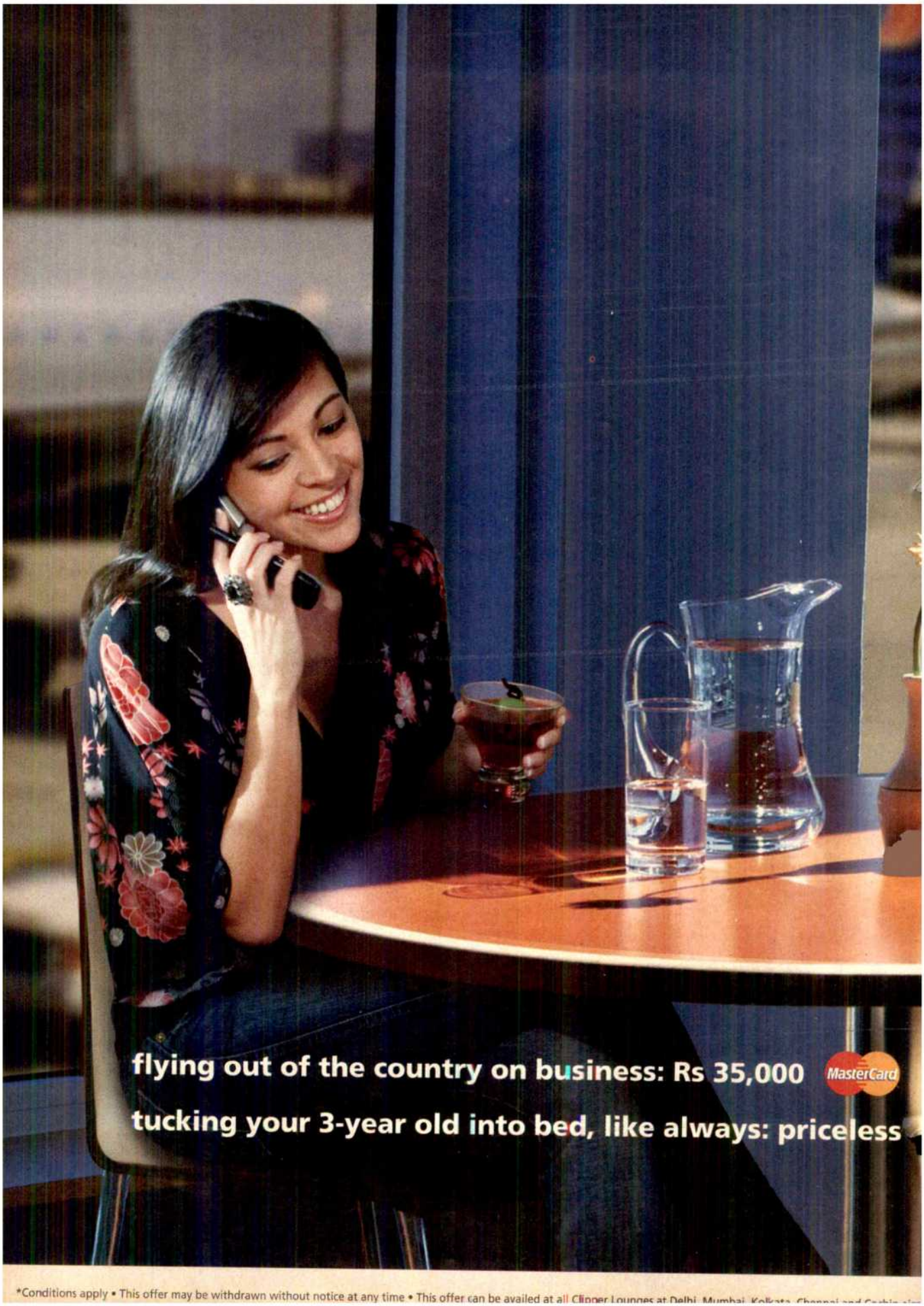
"Even as they consume more TV content, audiences have become more discerning, more choosy," says Zee's Mehra. Providing a window to the future, he adds, "First we were challengers of Star; now we may become defenders of the turf we captured." ■

Steady climb

Zee TV is slowly catching up with Star Plus

Channel	July-Sept '06	Oct-Dec '06	Jan-Mar '07	Apr-June '07	1 July 18 Aug '07
Star Plus	47	43	44	38	36
Zee TV	23	22	22	25	29
Sony	13	12	12	13	14
Sahara One	5	9	9	9	9
Star One	6	9	7	8	7
SAB	5	5	7	7	5

Figures are channel share in per cent; Source: TAM Peoplemeter System



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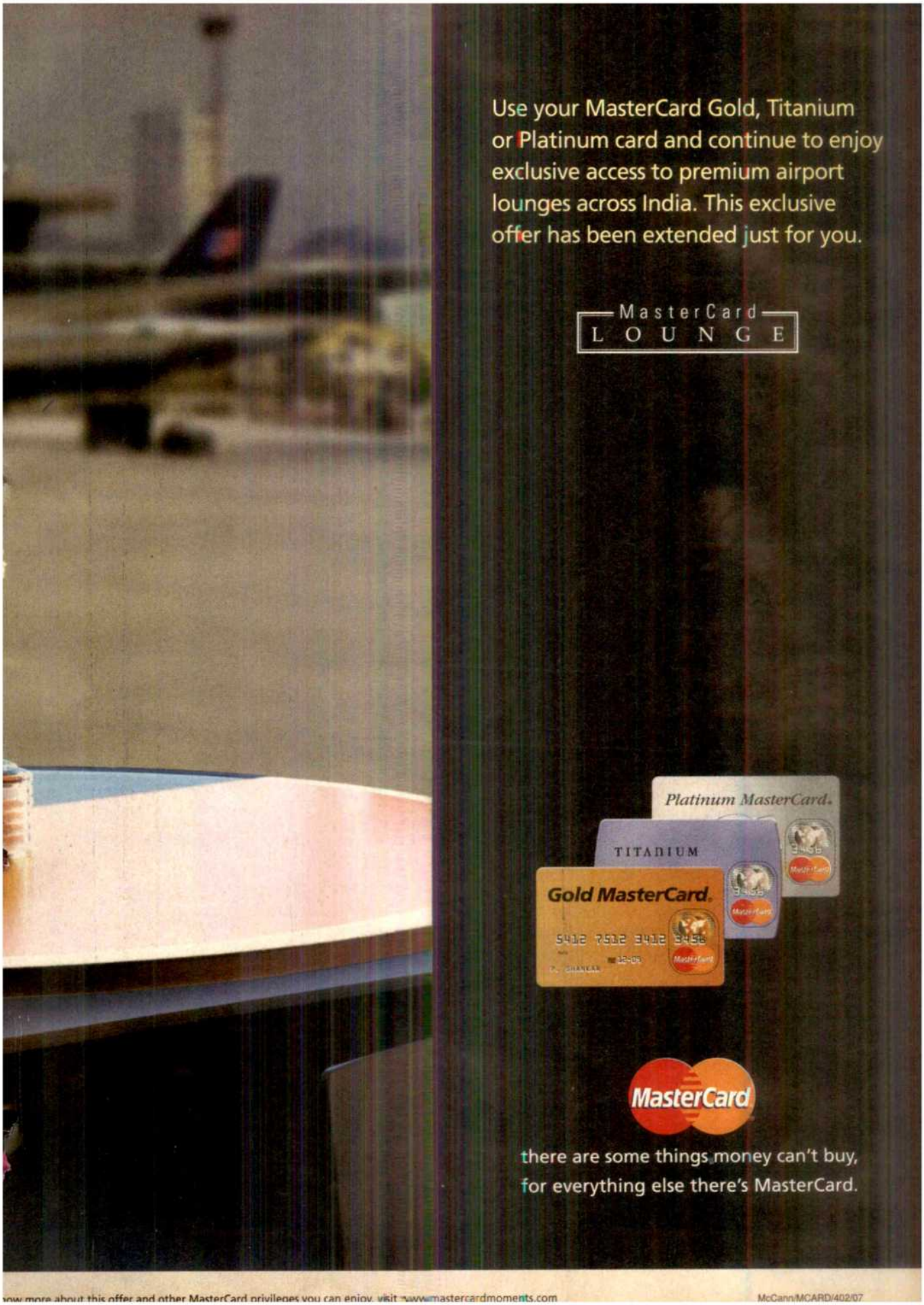
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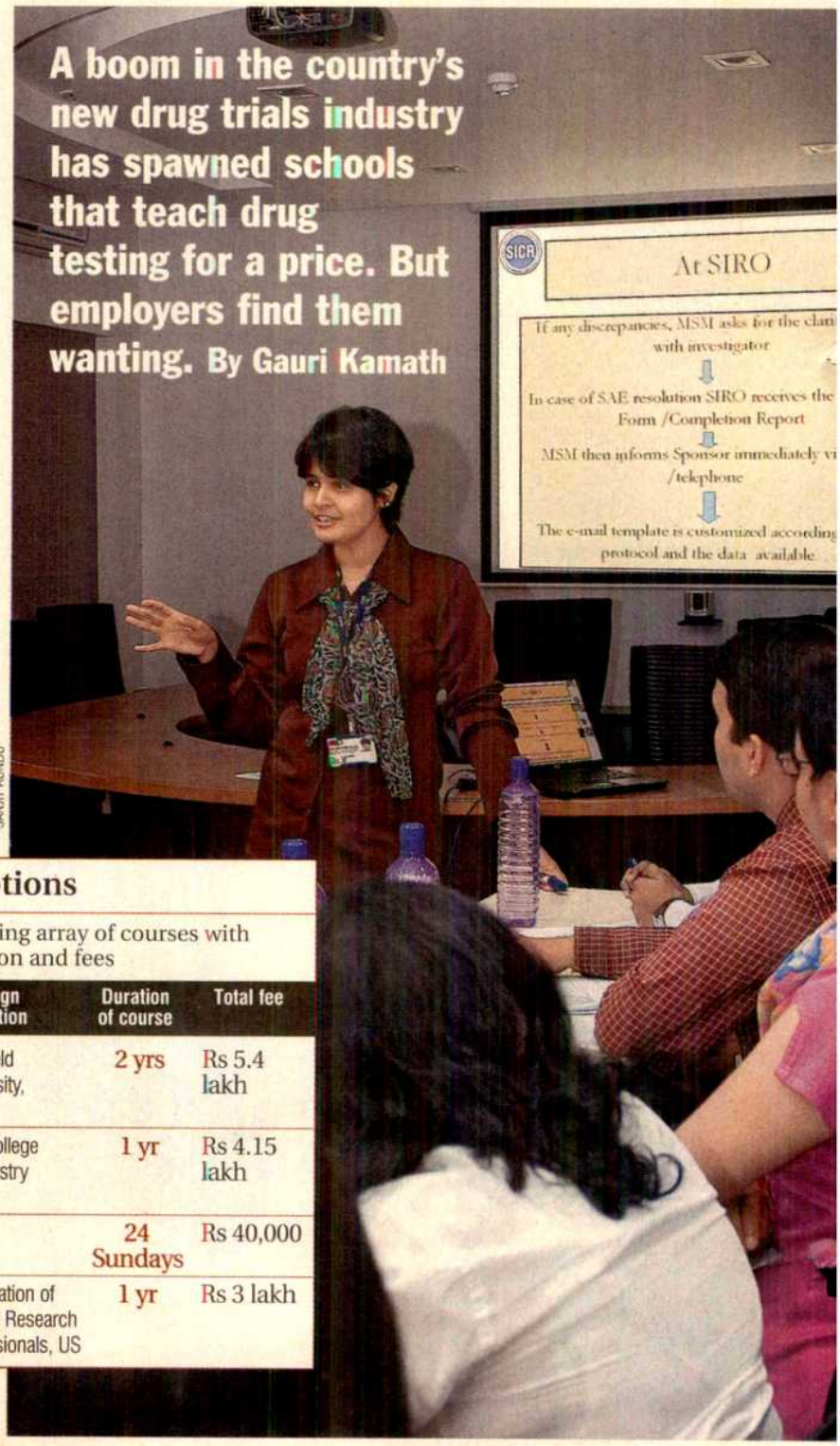
FAILING

A boom in the country's new drug trials industry has spawned schools that teach drug testing for a price. But employers find them wanting. By Gauri Kamath

THESE days Anand Tendulkar spends more time in a classroom than he does in his clinic. Tendulkar, 28, a doctor qualified in the Indian system of medicine called ayurveda may soon give up a five-year old weight-loss practice in Pune to devote all his time to learning new drug testing. "There is no innovation in my practice," he says. "I ask the same questions, get the same answers, and write the same medicines." Tendulkar thinks a role in the lab-to-market saga of new drug research and development will be far more exciting than his current job. "If a drug I worked on comes to market, there is some satisfaction," he says.

India's rise as a sought-after destination for testing new drugs on humans is creating new career opportunities. Pharma companies — who have set up dedicated 'development' teams to manage trials — are hiring. So are clinical research organisations (CROs), to whom trials are outsourced. Hospitals and sites that conduct trials also need staff, as do companies that manage and process data spewed out by them. US consultancy McKinsey said in a seemingly bullish estimate, a few years ago, that India will need 50,000 clinical research professionals — all those involved in testing a drug — by 2010. Bullish, because it expected the clinical trials activity in India to touch $1.5 billion by then.



SANJIT KUNDU

Diverse options

Training schools offer a bewildering array of courses with wide varying duration and fees

School	Qualification on offer	Foreign Affiliation	Duration of course	Total fee
Institute of Clinical Research India	Master's degree in clinical research	Cranfield University, UK	2 yrs	Rs 5.4 lakh
InterEd Faculty of Clinical Research	PG diploma in clinical research & regulatory affairs	York college of Industry	1 yr	Rs 4.15 lakh
Academy for Clinical Excellence*	PG diploma in clinical research	None	24 Sundays	Rs 40,000
Bilcare Research Academy	PG diploma in clinical trials management	Association of Clinical Research Professionals, US	1 yr	Rs 3 lakh

Source: Institutes and websites.
*not for profit venture, also offers certificate courses; All schools offer other courses, besides the ones mentioned. Some schools pay a stipend to students

the test

(See table 'Proving bullish' on page 58.) But more current estimates by Frost & Sullivan and CentreWatch — an American database on global clinical trials activity — suggest a number far less than that, at about $300 million (Rs 1,230 crore). (See table 'Tall Order' on page 58.)

For The Uninitiated

In spite of these relatively small numbers, employers complain of a talent crunch. The specialised nature of the activity makes hiring tough. India has plenty trained in science. But it is very important that they be familiar with evolving rules and regulations governing the ethical conduct of trials. More importantly, they should have the ability to stick by these rules in real-life situations. A botched trial can endanger the safety of volunteers, and land companies in messy and expensive lawsuits. Poaching worsens matters. Entry level recruits are known to move within a year to rival organisations with fatter pay cheques, and fancier designations. Read together, this means that the activity around drug trials is creating vacancies faster than they can be filled. "We have many thousands graduating in medicine and pharmacy every year," says Chetan Tamhankar, chief operating officer of SIRO Clinpharm, a Mumbai-based CRO. "The challenge is to make them employable."

New training schools are attempting to fill this gap. Tendulkar's school, Pune's Bilcare Research Academy, opened for business in June this year and runs a post-graduate diploma in clinical trials management. "We want to uplift clinical trial infrastructure," says Mohan Bhandari, managing director of Bilcare. Students are flocking to these courses. Hundreds like Tendulkar from disciplines as diverse as allopathy, pharmacy, ayurveda and homoeopathy have enrolled themselves in Bilcare, and other institutes. Many are fresh out of college and sure of only one thing — in a competitive job market, their options as just graduates are limited. "Right now there are more people than the market can absorb in medicine," says Thomas Adams, president and CEO of America's Association of Clinical Research Professionals (ACRP), Bilcare's partner in the venture. "That probably makes the concept of another year of education very saleable."

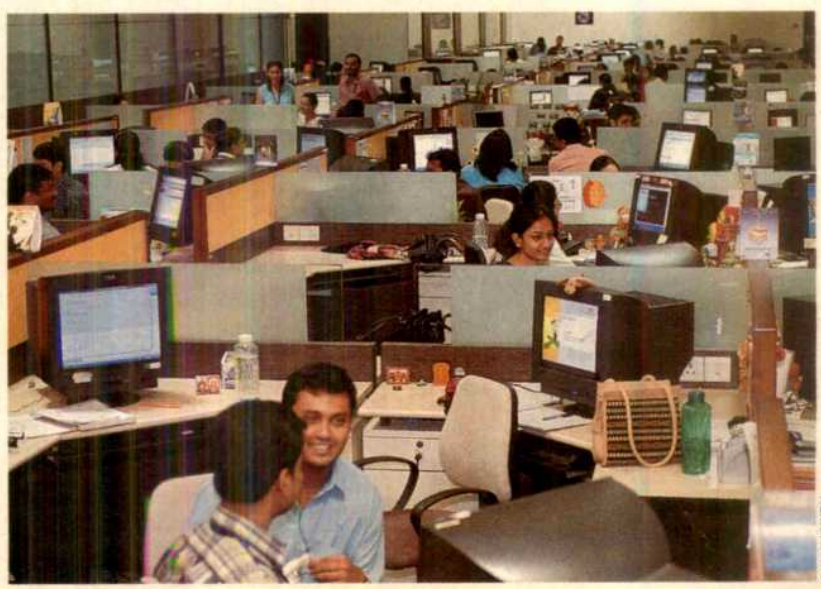
He can say that again. Students are ponying up lakhs of rupees to be certified as clinical research professionals. Tendulkar, for instance, who has paid Rs 3 lakh to Bilcare, wants to be an investigator — the doctor who tests experimental drugs on patients for pharmaceutical companies for a fee. Others aspire to be trial monitors — those who work closely with investigators to ensure that drugs are tested as per procedures and protocols, and are employed with drug companies or CROs. Some are also eyeing a purely back-office type of operation in data management.

A part of the demand is marketing-driven. The McKinsey estimate of job creation — however optimistic — is liberally quoted by institutes. Advertisements in national dailies quote astronomical starting salaries — more the exception than the rule. But equally, it's about what students perceive as a wide spectrum of job opportunities at the other end. "I know there are options out there, I don't want to limit myself," says Manish Barure, 27, Tendulkar's classmate at Bilcare who has paid for the course with a bank loan. Elsewhere, students are said to have mortgaged assets — such as farms — to pay up. As a result, the business of training is growing.

New Delhi's Institute of Clinical Research India (ICRI) is a good example. Started in 2004, with about 100 students, it currently trains eight times as many across India, says Dean S.K. Gupta. Five hundred of these are enrolled in a two-year master's degree programme costing Rs 5,40,000, comparable to what is charged by India's premier business schools. The rest are pursuing part-time diplomas, costing about Rs 1 lakh. Gupta says the institute turned down hundreds of students across various courses this year. ICRI is in four metros and plans to expand to another two in 2008. Other schools that *BW* spoke to also report increasing demand. They are also in expansion mode.

With No Effect

Surprisingly, employers are still complaining. There is very little difference between a fresh graduate and one trained from some of these schools, they say. "Not more than 10 per cent are suitable for an entry-level job," says Arun Bhatt, president of ClinInvent, a Mumbai-based CRO.



SANJIT KUNDU

FILLING IN THE GAPS: SIRO prefers its own training to hiring from schools (L). Those who make the cut get the job (R).

"Many of them have gone through the text book but when it comes to communication, confidence, and abilities they are just are not there." Employers whom *BW* spoke to identified some key problems. One is the absence of practical training. Their biggest complaint is that students, for all their ability to recite from the rulebook, have no 'on-ground' experience. Take the example of a clinical trial monitor — the person who is most in touch with the investigator doing a trial, to ensure that it is done the right way. The average age of a monitor today is about 25. But investigators in leading hospitals can be as old as their teachers, even older. "Making the head of a department work to your needs requires a lot of assertiveness," says Clinpharm's Tamhankar. And this is put to the acid test only in a real trial, which schools don't or can't expose students to.

The absence of applied learning is a problem that has long plagued India's education system. Employers have surmounted it the only way they know — on-the-job training. But in an industry as complex as this one — where patient safety and company reputations hang in the balance — companies don't take any chances. "Sponsors (pharma companies whose drugs are being tested) only want monitors with experience," says Vasudeo Ginde, managing director of Mumbai's iGate Clinical Research. "It is difficult for me to stick my neck out and say I'll put the freshers there."

Second is the age-old problem of how much of what is taught, is really learnt. Bhatt of ClinInvent observes that some classrooms are overcrowded, a carry-forward from the undergraduate system. "You can't train a hundred students at a time," he says. "You will only engage the first two rows." Third, there is no standardisation in course content, fee and duration. There's a mind-boggling array of part-time and full-time courses, degrees and diplomas, which can stretch anywhere between six months and two years. In the absence of a single, preferably government-endorsed, accreditation, choosing a course is difficult for a student. Often the choice boils down to a matter of convenience — what's closest to where they live and meets their budget. "We really find no difference based on the institutes they come from," says Tamhankar. "They are as good or as bad as each other."

Tall order

The pharma industry is struggling to fill a relatively small number of jobs

Resources	2002	2010
Clinical research market ($ million)	30-35	200-300
GCP studies	40-50	250-300
GCP trained investigators	200-250	2,500-3,000
GCP complaint sites	20-25	500-600
Subjects required	4,000-5,000	50,000 - 60,000
Clinical research professionals	120-150	1,500-1,800

Source: Frost & Sullivan and Centrewatch; GCP is good clinical practices; Subjects means patients

Some still visit campus. "The fact that these students have already, personally, invested so much in these courses could potentially give us a more focused workforce," says Ferzaan Engineer, CEO of Quintiles India, the country's largest CRO. For iGate's Ginde, visiting campus is an efficient way to screen large numbers of potential hires at one place. Students might also acquire 'soft skills' such as communication and presentation. "Every month we have a debate between students," says Barure, who is also being 'mentored' by senior faculty. "I've lost my fear and gained confidence." But that still begs the question — are schools living up to their promise?

Made To Order

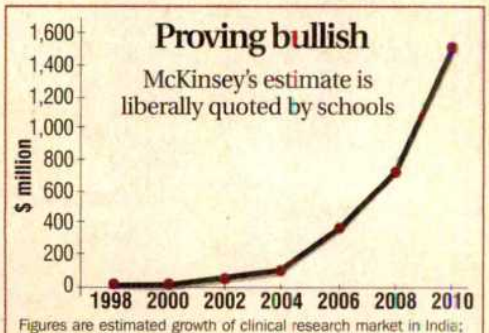
The answer so far seems to be — no. Employers are spending substantial amounts of time reinventing the wheel with new recruits. Quintiles' Engineer says he would be "hard put to reduce dependence on internal training". In Quintiles, this can take between six and 12 months, which ironically is the duration of some of these courses. Others such as Navi Mumbai's Reliance Life Sciences and SIRO have started their own schools. "It costs us a fraction of what these institutes are charging to train (potential hires)," says Reliance Life's President and CEO K.V. Subramaniam. "And they are trained as per our requirements." Training involves accompanying employees to sites and assisting on projects, rather than taking on the full responsibility of managing them. The companies running these institutes absorb the ones who make a certain grade. Reliance doesn't charge for the course, and SIRO, which does, says it will refund the fee over a period of time to those who it takes on board.

In parallel, some educators are attempting change. Bilcare, and others such as Kerala's Inter-Ed Faculty of Clinical Research (IFCR) have kept classroom sizes to between 30 and 50. Ravindra Ghooi, dean of Bilcare, says students are likely to assist doctors doing trials at the end of the year-long course. ICRI's Gupta says it is also pushing for internships. Indrani Banerjee, a manager in Mumbai's Academy of Clinical Excellence (ACE), a not-for-profit trainer and the oldest in the field, believes that employers also need to cooperate by taking on interns. Banerjee has seen them resist on the grounds of confidentiality. (An intern privy to sensitive information might ultimately be placed in another company.) But the resistance is beginning to melt in the face of the industry's rapid growth and high rates of attrition. Others say that senior executives in the industry need to make more time to engage with students in schools; they complain of a faculty crunch as more institutes spring up. "Many promise they will at the start," says one educator on condition of anonymity. "But hardly any actually do."

But in the final reckoning, whether or not you make a good hire boils down to individual calibre. "A person could apply cold through the website and chances wouldn't be reduced," says Engineer. Well, cold calls are more economical. ■

Proving bullish

McKinsey's estimate is liberally quoted by schools



Figures are estimated growth of clinical research market in India; Source: McKinsey

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Educated, but Unemployable

If India is to reap the benefits of its demographic dividend, its college graduates have to be made worthy of employment. By Vishal Krishna

REKHA Lakshminarayanan is a gold medallist in engineering. At 21, she looked forward to moving from her father's farm in Vijipura in Karnataka and climbing corporate ladders in the big city. But like many of her batch mates, Rekha soon found she wasn't welcome there. "I attended three interviews and got knocked off like a bowling pin," she says. "I wasn't given any reasons for being dumped." Now 24, Rekha is working her way up in ZeOmega, a small product engineering firm. Naturally, she feels left behind. "I faced three problems," she says. "My college left us unprepared in terms of current technology. Secondly, my English was bad. And finally, I find that my workplace offers me no evaluation — I have to set my own career path."

Rekha's dismay is shared by millions of young, equally at sea Indian graduates. The lack of employability, that ability to find and keep work with the aid of the innocuous-sounding yet potent KSAs (knowledge, skills and attitudes), haunts dimmed stars like Rekha, as well as a hitherto complacent industry, which needs her more than she knows.

The scale of the problem is considerable. It is expected that IT, manufacturing, product engineering, retail, financial services and insurance sectors will employ the largest numbers of Indians in the coming years. A Frost & Sullivan report on the electronics industry finds that India's equipment consumption will rise to $363 billion by 2015, up from 2007's $28.2 billion (Rs 1,15,620 crore). That means, in a few years from now, the automotive, medical, and electronics and storage devices sectors will generate 3 million jobs for engineers, besides 5 million more in the related services. Not all of these jobs will be filled by graduates from metros. Already, companies are moving to tier-II and III cities for talent.

Nasscom — the IT industry's lobby — estimates there were more than 3.5 million graduates looking for jobs in 2005. Of these, 2.3 million were pure science, arts and commerce scholars; roughly 500,000 pursued engineering and technical streams; and more than 300,000 opted for post-doctoral studies. Yet, another 2005 study by McKinsey found only 10-15 per cent of India's non-technical graduates and only 25 per cent of its engineering graduates are actually employable. What should have been a blessing for a young workforce is instead cause for bitter disillusionment.

The Nasscom study also concludes that the IT-BPO industry would have to move to tier-II cities for non-technical graduates in order to continue saving 30-40 per cent on their wage bill. Karnataka has been a pioneer in engineering education. It has 123 engineering colleges and most of the state's revenues come from the IT services sector. Yet, only one out of four engineering students from here will actually be sought after, and only 23 per cent of the 90,000 students in the final and pre-final years in its tier-II and III cities such as Belgaum, Hubli and Dharwad are seen as employable (see 'Jacks Of All Trades...').

"Often, companies hire to fill up numbers," says T. Muralidharan,

Jacks in all trades...

Engineering students showing competence in various fields

Region / City	% of candidates
Karnataka (overall)	30.60
Bangalore	37.69
Rest of Karnataka (excluding Bangalore)	23.48
Tier-II city clusters	
Hubli-Dharwad cluster	28.60
Belgaum cluster	28.16
Bellary cluster	27.42
Mangalore cluster	23.40
Mysore cluster	20.84
Gulbarga cluster	14.33

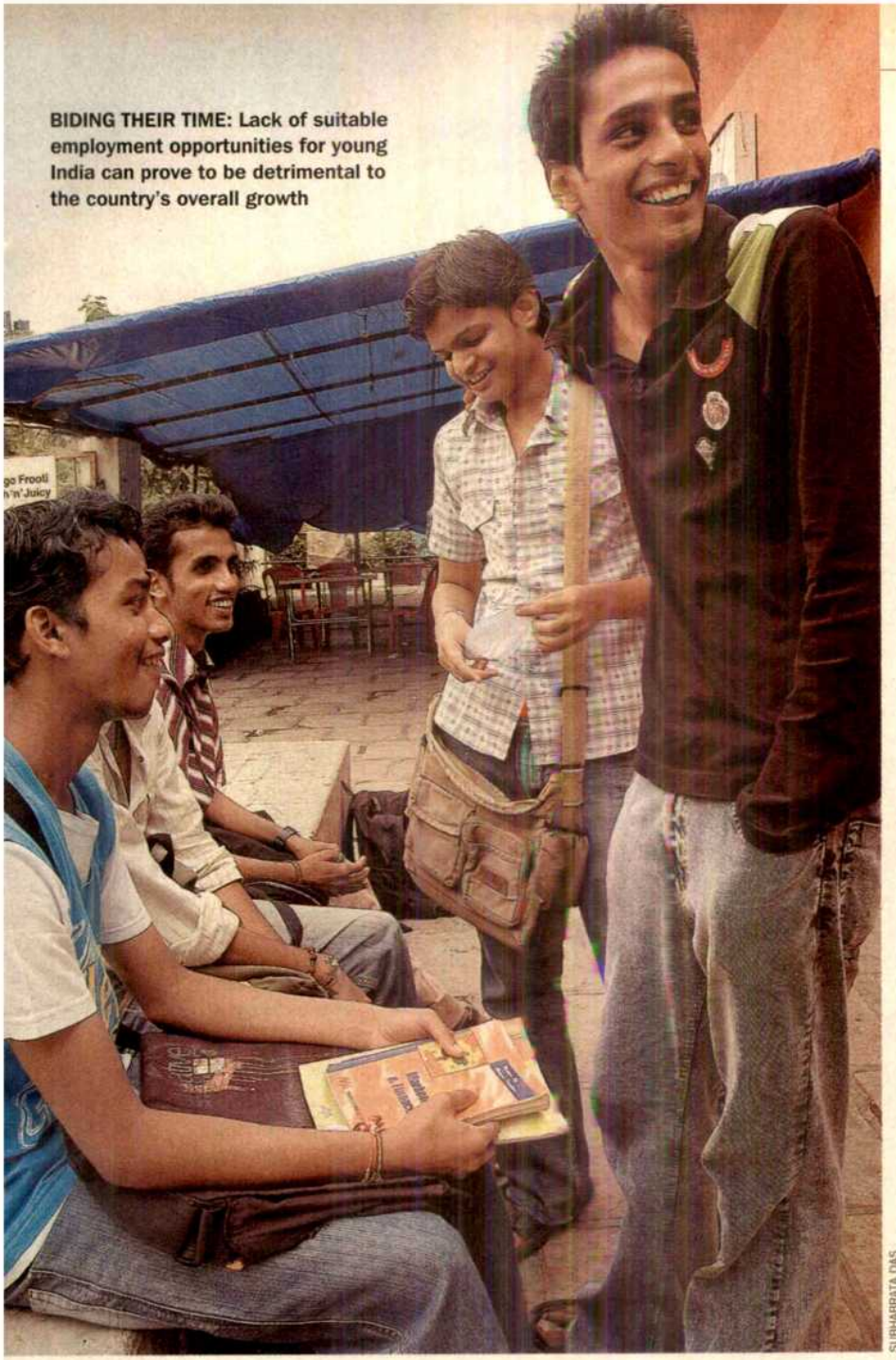
Figures are from a study done in Karnataka
Source: MeritTrac

...and the masters

Overall rating on ability for MBA students

City	Mean score %
Kolkata	76.60
Bangalore	56.60
Delhi	56.60
Chennai	40.00
Hyderabad	40.00
Mumbai / Pune	40.00

Source: MeritTrac



BIDING THEIR TIME: Lack of suitable employment opportunities for young India can prove to be detrimental to the country's overall growth

SUBHABRATA DAS

executive chairman of TMI Network, a Secunderabad-based assessment and training agency. "They don't consider whether a given candidate can perform the job at the required level." Subsequently, only early learners survive, leading to high attrition levels, particularly in the BPO and insurance sectors. According to Muralidharan, this could cause considerable loss to the country's economy in a few years.

Pari Natarajan, chief executive officer of Zinnov, a research and consulting firm based in Bangalore, believes that India will no longer be a low-wage country in a few years. "In every industry, there will be a shortage of senior managers to run teams in five years time," he says. "Our wage costs will escalate then."

"The education dynamic must change," says an official with the Aditya Birla Group's retail division. "Graduates need training in simulated workshops where they can learn to deal with real life situations. If we keep employing out of the current crop, there will be a dearth of senior managers in a few years." But Indian industry and academia, ideally two sides of the same coin, instead seem to be living on different planets.

C. Mahalingam, senior vice-president of Bangalore-based Symphony Services, a product engineering services company, feels that India must reinvent itself on a priority basis. "There's a three-year lag between industry and academia that needs to be bridged," he says. "Industry needs to work with universities and enable at least year-long student internships to make its future workers employable. If we don't, companies will lose out on margins as they pay higher wages for an incompetent workforce."

Little India, Big Dreams

After the IT boom expanded to include tier-II cities such as Chandigarh, Gurgaon, Mangalore and Mysore, these sites became a very lucrative market for the product engineering, insurance and retail sectors. "The war for talent beyond the metros began only in 2004-05 and it was fuelled by the IT sector's expansion," says Madan Padaki, director of strategy at MeritTrac, an assessments company in Bangalore.

But since tier-II students were not as tuned to global thinking as their metropolitan cousins, it proved to be harder to assimilate them into current business practices. "Graduates from smaller towns know where they want to work, but have no clue about the working mechanisms of a given industry," says Padaki.

The insurance industry in particular has massive expansion plans for tier-II and III cities. ICICI Prudential, for example, quadrupled its sales force to 24,000 this year, up from 6,000 just two years ago. "We have hired most of our staff from smaller cities," says Judhajit Das, VP of human resource at ICICI Prudential. "We train them in-house, and management aspirants study post-graduate degrees specified by us."

Most Indians are stymied by the lack of access to specialised, industry-

related courses. "Assessment systems are important for us because we don't have the scale to study the large pool of graduates in smaller cities," says Das. Over the past couple of years, the IT sector has been using assessment agencies to find rural talent but the employability ratios here remain very poor.

The state governments in Tamil Nadu, Andhra Pradesh (AP) and Karnataka have already begun talent-building partnerships with industry. In AP, the internationally-funded Employment Generation and Marketing Mission (EGMM) focuses on rural employment generation. TMI First works for them across 80 colleges. In Karnataka, the Visvesvaraya Technological University, which oversees engineering colleges, is working aggressively with the IT sector towards making students employable.

However, says Anand Anandkumar, managing director of Magma Design Automation, a multinational provider of semiconductor design software, "Indian graduates do not think about a product in a broader sense because they lack exposure to consumer requirements and behavior. Technical graduates are very good at chip design and algorithms. However, they do not channelise this into original, innovative thinking."

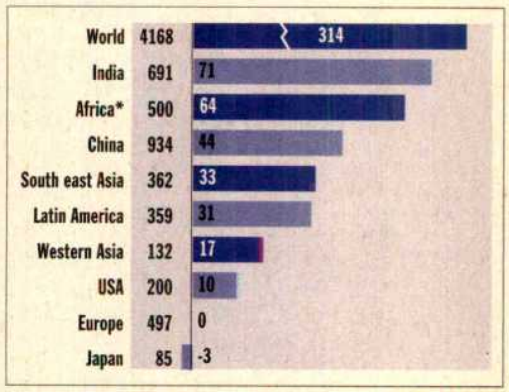
For instance, there are barely 150-250 engineers in India who think in terms of an entire product for the Portable Executable format industry. Anandkumar refers to engineers capable of using IT-related elements such as embedded software applications, integrated circuits and chip design, as well as the hardware required to create a product such as, say, an iPod.

"We should move higher, away from making what has been specified by the parent company abroad, and create our own products," says Anandkumar.

Finding quality talent is a major problem faced by the manufacturing sector. "Every student wants to go into IT," says Anandkumar. "There's no mapping of education and careers in India. Even a mechanical and industrial production graduate ends up in IT." But for the country to have an even distribution of jobs, manufacturing must grow."

ITC finds only 5 out of 100 students interviewed in rural colleges employable. "Freshers from tier-II and III colleges have to undergo intense 8-9 month shop-floor training," says a source from the company. Manufacturing industries also have to integrate recruits working in remote locations into the organisation. At ITC they find that "students who hail from industrial suburbs situated outside the city are ideally suited for working in remote locations. We try to find them. But, on the whole, it is very hard to find talent for manufacturing".

Addition to working age population by 2010: a global comparison



* Africa includes a group of 56 countries
Figures in million
Source: CSO, RBI, UN, Morgan Stanley Research

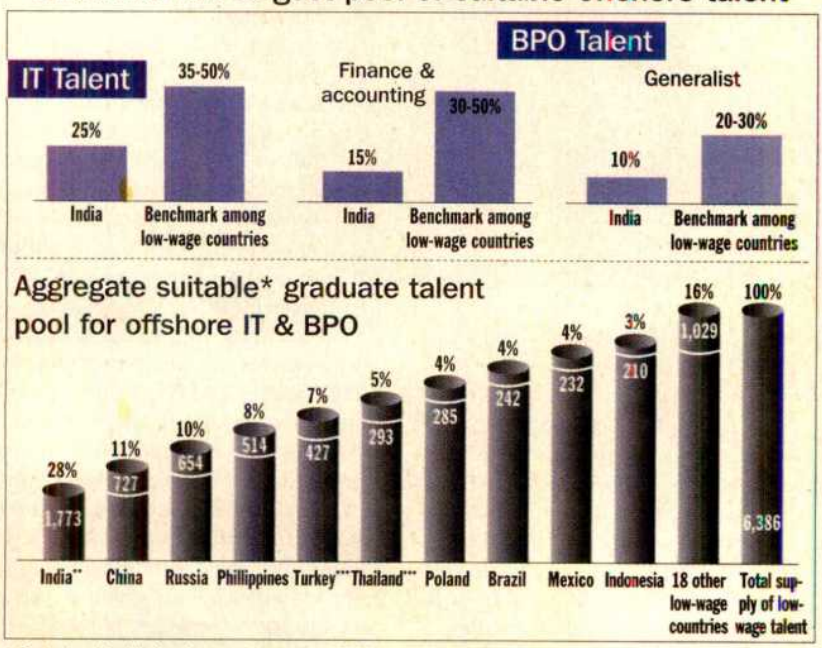
The Graduate: A Retrospective

On the one hand, the entire country looks upon the IT sector as its knight in silicon armour. On the other, there is a vacuum that is crying to be filled. The truth is not kind. Perhaps that's why nobody tells the vast majority of Indian graduates that their qualification is meaningless. "It's not about learning engineering languages or getting a degree," says Nachiket Urdhwareshe, CEO of SoftJin, a product engineering firm in Bangalore. "It's about how industry and academia could partner together to make a student understand current working systems. Only then does one become employable."

There is a widening chasm between students' qualifications and employability. It sweeps the country, particularly its non-metropolitan regions. Graduates ride to its edge on little more than hope. Some manage to make it serendipitously; most end up on a wasteland of misplaced potential. Rekha Laxminarayanan may yet make it. For others, it may be a longer and harder road. ■

Loads of talent...

India has the largest pool of suitable offshore talent



* Graduate with skills for direct employment in IT/BPO (does not consider willingness and accessibility of talent)
** As of 2003 *** Number delivered via extrapolation; figures in thousands
Source: HR interviews, country labour and graduation statistics Mckinsey Global Institute

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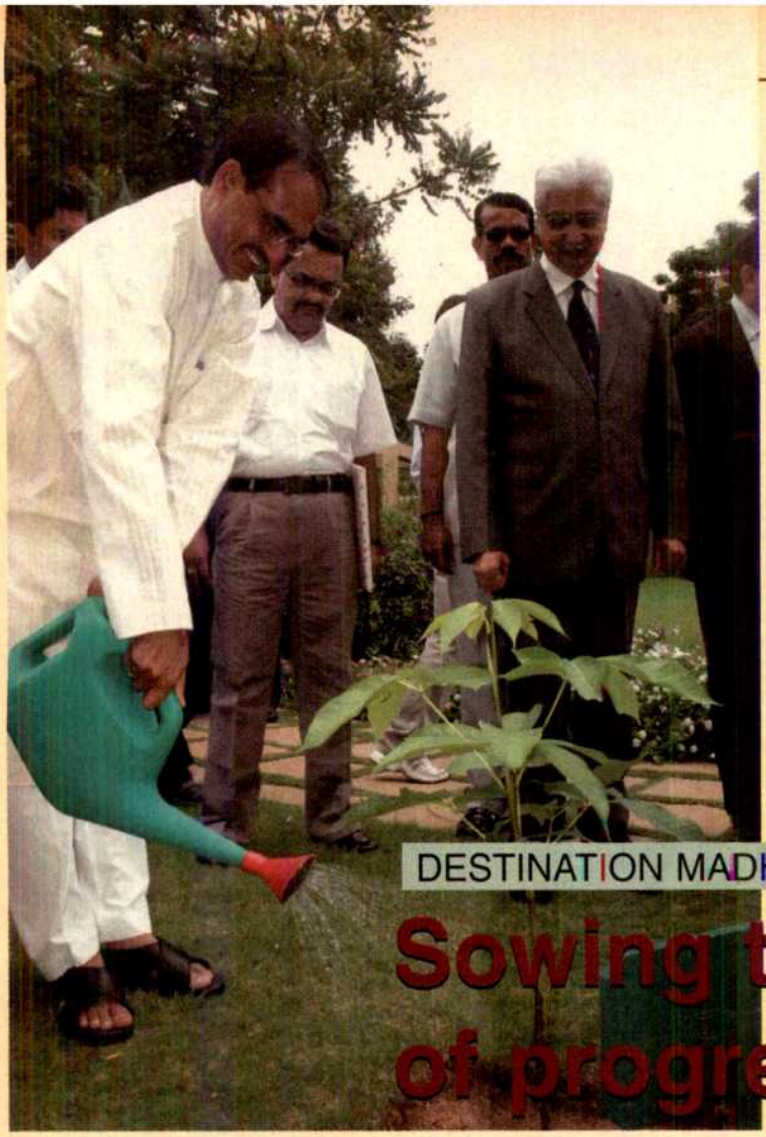


Madhya Pradesh has ushered in amazing growth on the economic and social infrastructure fronts. Today, a huge amount of investment is pouring into the state in various sectors and with the agriculture sector looking up, its export basket is swelling. India's first operational SEZ in Indore has not only attracted industries but also has triggered a race for creation of more SEZs

DESTINATION MADHYA PRADESH

Sowing the seeds of progress

Madhya Pradesh, under the leadership of Chief Minister Shivraj Singh Chouhan, is today one of the fastest growing States in the country. The State has displayed a strong commitment towards social, economic and cultural development, and, it has been striding ahead in pursuit of its development objectives.

Management of its abundant natural resources, conservation of its rich biodiversity, and sustainable utilisation of this natural abundance for equitable development of all the people have been integral part of the developmental commitment of the government.

The present Government was voted to power three years back with a mandate to rejuvenate the development process in the State leveraging the rich natural wealth it is endowed with. The State Government has given a commendably good account of itself, living up to people's aspirations and expectations with a hope for even brighter performance. The last three years may, by every standard, be described as a watershed in the development history of Madhya Pradesh.

At the time the present Government took over the State, almost every sector was crying for development that had eluded them over the years due, mainly, to the gross neglect of infrastructure. Lack of proper infrastructure to facilitate all round development has, indeed, been the Achilles' heel of this heartland state of the country. From day one, the Government pitched into making a dent in the inertia by de-clogging the development machinery at every level while mobilising resources to achieve the development goals. It gave a fresh impetus to development of infrastructure with particular emphasis on roads, electricity and water while, at the same time, attaching equal importance to the social sector.

Today, the gross state domestic product (GSDP) stands at Rs 90,736.83 crore at current prices (base year 1998-99) and Rs 65,520.15 crore on constant prices (1993-94) and this augurs well. The State has adopted a

fast pace during the past two years, with more than Rs 100,000 crore investment in hand, improvement upon 72,000 km of roads, new ventures in areas of information technology, special economic zone, real estate and infrastructure. Madhya Pradesh has increased its generation capacity to the tune of 2,611 MW in the last three-and-a-half years whilst only 2,990 MW was added in the State in the preceding years. A rare feat of nearly equalling 50 years' performance in only three-and-a-half years.

With speedy process of project implementation of Central Government development schemes, the state has many firsts into its account--be it river linking, higher spending on rural job creation under Employment Guarantee Scheme, or infrastructure creation.

A huge amount of investment is pouring into the State in various projects like Bina Refinery, new textile units in Mandideep and food-processing units in food parks. In the industrial sector, small and medium enterprises have been given proper attention. With the agriculture sector looking up, the export basket of Madhya Pradesh is swelling. India's first operational special economic zone (SEZ) in Indore has not only attracted industries but also has triggered a race for creation of more SEZs.

The new export-oriented ventures in the SEZ are evidence that the State not only has progressed but also has set an example for public-private partnership. The state industry is also looking up for further investment and exports in oilseed and pulses production, opportunities for food processing industries, textile sector, auto makers, down-stream projects, developers at refineries, entertainment industry, IT industry, herbal and medicinal plant growers, pharma industry. Today, a backbone of 20,000 km of optical fibre network ensures better connectivity and an international gateway that offers immense potential for Information Technology, knowledge process outsourcing, business process outsourcing and other related

Global Investors' Summit

A three-day 'Destination Madhya Pradesh: Global Investors Summit' is being organised by the state government in October 2007. In this Summit, not only proposals would be received for investment in various fields but efforts would be undertaken to give them a concrete shape. This Summit caps a year-long programme by the Chouhan government to woo investors to the state and the response so far has been phenomenal.

A delegation led by Chief Minister Shivraj Chouhan had visited the United States and United Kingdom from May 10 to May 20 in order to invite non-resident Indians and foreign entrepreneurs to invest and explore possibilities in various fields in the state. The objective of the visit and their efforts were proved successful. The team not only heartily welcomed by several institutions and prominent citizen but also certificates and letter of citations in different context were presented during the trip. Several MoUs were signed and wide-ranging discussions conducted by the participants.

As a prelude to the Global Investors Summit, an Investors Meet was organised from January 15-17 2007 at Khajuraho with an objective to attract NRIs and prospective investors and showcase the abundant investment opportunities available in the state.

During the two-day meet, as many as 17 MoUs and nine EOIs were signed. The meet was attended by more then 100 delegates. Apart from embassy representatives, the delegates participated were from Australia, China, Peru, Maldives, US, UAE, Singapore, Malaysia, etc.

Paving the way to growth

At the time the present government took over, the roads were in a pitiable condition and even a butt of jokes. The last three years have seen an unprecedented spur in road construction and improvement activity with addition of close to 32,000 kms of road length. Even the Planning Commission of India has showered praise on the State for doing the maximum work in attracting private investment. The state government is likely to spend Rs 3,015 crore on construction of 6,700 km road length in next couple of years.

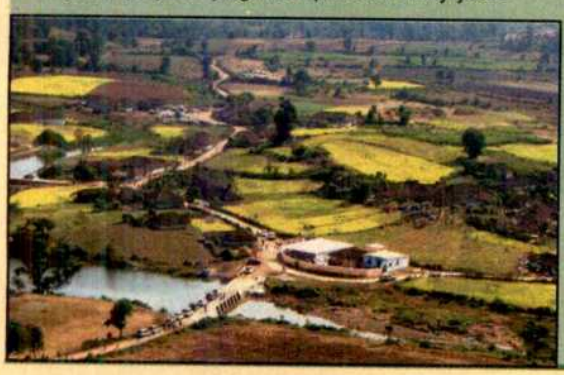
This is in contrast to the situation that prevailed from year 2000 to 2003. During this period, only Rs 759 crore were spent on construction of 4,810 km roads. Besides, only Rs 807 crore was spent on construction of 742 roads having a length of 3,368 km under PMGSY. In comparison, during last three years, Rs 3,263 crore has been spent on constructing 14,411 km roads, apart from Rs 2,296 crore spent on construction 9,354 km of roads under PMGRS.

Lighting the State: The State government had inherited a deep power crisis, with the entire state literally plunged into darkness. The government naturally placed the availability of adequate power to the people on top of its agenda. Thus, the State will be adding over 3,000 MW to its power generation by the end of the year. Of this, generation of 2400 MW has already started. In last two years, uninterrupted power supply has been made to industry. The 1000 MW capacity Indira Sagar Hydel Power Project has gone into production. Share of 826.5 MW has been received from Sardar Sarovar Power Project. Recently, the 500-MW unit of Birsingpur power state has been synchronised. Though a lot still remains to do to fully overcome the power crisis, but the indications are that the State would become self-reliant in power sector soon.

Agricultural growth keeps pace

Madhya Pradesh is the number one producer of pulses and oilseeds in the country, contributing about a quarter of the total Indian production. As much as 71.5 per cent of the working population of Madhya Pradesh is engaged in agriculture, as against the national average of 58 per cent. Madhya Pradesh is the fourth largest producer of agri produce in India with lowest consumption of fertiliser per hectare.

Availability of adequate irrigation facility is the key to economic progress in an agricultural state like Madhya Pradesh. In keeping with its promise with the farmers, the state government has made relentless efforts to augment irrigation facilities in the state. Irrigation projects lying incomplete for many years have been completed and the budget provision for irrigation has been doubled.Similarly, the interest rate of cooperative loans for agricultural loans has been reduced to 7 per cent. There is a target of providing loans worth Rs 3,060 crore during year 2007-08.



In order to save the crops in unirrigated areas from wilting due to lack of rains and to provide water, a farm pond scheme has been introduced. A computer network christened Agrinet has been put in place at block level to provide information to farmers about improved farming techniques, market rates and other necessary information. Other interventions include:

- Agro-climatic zone wise planning.
- Increasing production of quality plants of horticulture especially through Private Nurseries.
- Better enforcement of Insecticide Act, Seed Act & Fertiliser Control Order to ensure quality of inputs.
- Integrated approach for doubling food production and farm income by contact village concept.
- Setting up agri export zone and promoting agro processing industries
- Six food parks have been sanctioned.
- VAT on diesel has been reduced from 28.75 per cent to 26 per cent to provide relief to farmers.
- Stamp duty has been abolished on agricultural loans of up to Rs 10 lakh and not fees for obtaining no objection certificates.

activities. The government has made all possible efforts to bring some ailing industrial sectors around by leaving a larger space for common people breath. During the past three years, big corporate houses like ITC, Reliance, Airtel, Tatas, SRF, JK Industries, etc., have not only evinced interest in the state but have made considerable investment.

The Industrial Promotion Policy, which is in the process of further amendments, has paved the way for industrialists to come forward. The policy makers have tried to build a confidence among them about investing in Madhya Pradesh by organising various programmes and interaction. For the first time, apex Indian business chamber Federation of Indian Chambers of Commerce and Industry (FICCI) and the State Government have joined hands to market the State globally and results are encouraging. It is expected that within five years the State will be a major investment destination for world companies.

The present State Government inherited a deep power crisis with entire state literally plunged into darkness. The Government naturally placed the availability of adequate power to the people on top of its agenda. For the first time since its inception Madhya Pradesh would be adding over 3,000 MW to its power generation by end of the year. Of this, generation of 2,400 MW has already started. Madhya Pradesh has some very important achievements to its credit in power sector. In last two years, uninterrupted power supply has been made to industry and round-the-clock supply to all the consumers from the month of July. During the last three years, the power generation capacity has been enhanced by 2,396.5 MW.

3 Yrs of Achievements

- There has been no case of overdraft for three years
- For the first time, the State Government has presented a surplus budget
- In the first 6 months of the current fiscal year itself, there has been an increase of more than 100 per cent under six heads of revenue collection
- New Industrial Policy has been formed to attract investment in Madhya Pradesh
- Madhya Pradesh becomes first state in the country to implement Cyber Treasury System
- First state in the country to launch "Tele Payment Scheme"
- Madhya Pradesh tops in Public-Private Partnership (PPP), with implementation of 25 per cent schemes in State
- Maximum number of electrified villages are located in Madhya Pradesh. Electricity generation has increased by 1898 megawatt in last three years. Out of 51,806 populated villages, so far 50,474 villages have been electrified
- Madhya Pradesh also stands first in carrying out quality assessment work for maintenance of drinking water quality

Today, the State has a slew of projects to showcase. A world-class digital auto testing track proposed near Pithampur on an area of 4,000 acres, logistic and cargo hub for airline Industry in Bhopal, a world class institute of life sciences and biotechnology medical plant production and processing centres, eco and adventure tourism projects, fisheries and tourism project at Indira Sagar Dam (Asia's biggest reservoir) development of Buddhist Circuit in Madhya Pradesh, world-class Bina Refinery project, an IT Park at Bhopal and a Software Technology Park at Bhopal and a Science City at Dewas will make the State among top world-class states.

The State has unlimited potential, the need is to harness natural resources and tap the potential in its rich biodiversity, agro climatic zones, dense forests, and rich cultural legacy. The citizens of this diamond producing state are now gearing up for change. A change for development and for the betterment of society.

comment

by dilip raote

The author is a journalist and a trenchant observer of social and economic affairs.

The Shirdi economic zone

Sai Baba's Shirdi city has, of late, turned into an economic hub of sorts. And it's not one of its kind

WHILE travelling in rural Maharashtra and passing through Sai Baba's Shirdi city, I had the revelation that God is the ultimate trickle-up economist. Take a simple case of her planning. A poor man in a remote village gets a vision. His favourite deity tells him to go forth and multiply the village's assets. The man broods over the vision. He erects an image of the deity, according to his artistic abilities, under a tree and worships it daily. Soon other villagers take part in the rituals, which become more elaborate.

Worshippers offer coconuts, flowers and cash to the deity, and distribute sweets on special occasions. Vendors of coconuts, flowers, *agarbatti* and sweets put up sales outlets. The seeds of a distribution network are sown. A *bhajan mandali* is formed and songs in praise of the deity are composed. Musical instruments are imported from nearby towns or cities. A day in the year is allotted for a special function.

The news spreads and pilgrims flock to the village to seek the deity's blessings. The coconut, flower, incense and sweet businesses grow. A state transport bus service is diverted to the village. More specialised and general stores open. The villagers realise that the man who put up the deity cannot be solely responsible for the maintenance of the place of worship. A broader vision is necessary. A temple trust is formed with prominent villagers vying to be trustees. In committee meetings, it is argued that a proper temple has to be erected.

The village's richest man makes a large donation provided his name is put up on a marble plaque, which is prominently displayed on a temple wall. Contracts are given out for the construction, laying of a water pipeline or well, and electricity connection. That brings in builders, masons, plumbers, electricians and government officials who have to approve the project.

What began as a one man's tree shrine becomes a formal temple with a growing infrastructure around it. As the number of pilgrims grows, the business of accommodation, taxis, public and private buses, restaurants, etc., also expands. The village gets a municipality.

The temple gets a sound system to broadcast the prayers to the neighbourhood, perhaps a closed-circuit video system and temple activities booklets which need reporters, editors and ad-gatherers. During the annual *mela*, TV channels cover the event. Trustees learn to provide soundbites and priests adapt their rituals for camera crews.

And so it goes. More pilgrims and tourists rush to the shrine. Among them are foreigners. This rush compels the municipality to provide better roads. This brings in petrol pumps, STD booths, cyber cafes, better hotels and cooperative banks. A computerised booking system is installed for deity *darshan*. The temple website offers online booking. The rich temple trust invests in schools and hospitals. Politicians compete to get elected to the temple trust. Security measures are installed. A distinction is made between ordinary devotees and VIPs.

The deity realises that her job is done. The obscure village is, now, a hub of economic activity, an SEZ. The microeconomic seed has grown into a macroeconomic plant. The deity leaves in search of another small village and another comfortable tree. This is the essence of trickle-up economics. How simple it is to understand.

When I first visited Shirdi some 55 years ago, there was a small Sai Baba temple and a few scattered mud houses. The only eating joint was under a tent where a *thali* cost, if I remember right, 10 *annas*. Shirdi is now a booming economic zone, and at the centre of a global Sai Baba movement.

The process works even in urban areas, though it is easier to observe in rural areas. Not too long ago, Mumbai's SiddhiVinayak temple was just another roadside microeconomic shrine which attracted only neighbourhood devotees. Now SiddhiVinayak is a global celebrity, and another superb illustration of trickle-up economics. ■

Consumer: A real person

MEERA SETH

The problem is that we have failed to distinguish between pure etiquette and... the morality of our small, everyday interactions with other people.

—Philosopher Julian Baggini in *The Guardian*

NIKHIL Jawa watched the argument that had just erupted between Shaquil and Kiran. Both were telemarketing associates at Formula One. An angry Shaquil was saying, "15 seconds, 15 seconds, 15 seconds! You make me sick! That was a real person I was talking to — elderly and a lady. I cannot hang up on her. And she gave me 30 seconds of *her* time to hear *my* drivel. Now, when she has a question, decency demands I reciprocate even if it means I have spent 10 minutes on this call." Kiran went, "Whoa! Cool man! I have to show a certain log book at the end of the day and that log cannot include 'spent quality time helping an old lady understand why she cannot have the same number on both her SIM cards!' Bottom line is, did you make a sale?" And Shaquil was blasting off, "For me, business is done with humans, not robots and I respond to them the way I want, not the way the clock determines!"

Nikhil had spent 45 minutes watching the team at work with an intention to map their training needs. But now what he saw was stress. Both men were all of 21 years each. *Is this fair?* Wondered Nikhil.

Weren't organisations meant to train and develop individuals? Didn't 'develop' always imply a positive direction? Could it be said that Shaquil and Kiran were developing positively? Why wasn't Formula One thinking about that? *How do I convey this to HR man Suri without him thinking that he is losing the opportunity to earn profits? I know, business wants profits but profits need people, and people have to be handled with care so that they remain continuously productive, and happily so. You push a machine, fine, it breaks down or malfunctions — you replace it and the depreciation is good for your business. But a human? Somewhere we need to start taking responsibility for what we do to humans. How do I express all this to Suri?*

Nikhil ran a sales training firm 'On the Spot' and this brought him in very close confrontation with 'the truth', but clients were almost always reluctant to shift gears. Recently, client Amol Dharker, marketing head of Inca Px, had justified his intrusive pester selling and said, "In such a large country, how does it matter if you upset a few people with your sales drive?" And Nikhil realised — this was the era, where, if you thanked somebody, he was unlikely to say, 'You are welcome'. He was more likely to either shrug his shoulders or say either 'It's cool' or 'It's okay.'

Now when he watched Shaquil, Nikhil realised he had seen these patterns before. This was the effect of causes set in place sometime ago. Far away, at Inca Px, a financial services company, the same cause was repeating; *won't be long before Inca has its share of mindless flare-ups!*

The story: The Inca sales team were to spread out at a mall on a Sunday to sell the new 'Giro Start' product. Reason: It was their marketing head's strategy that Sunday is a good day to get attention and even if they hit 1 out of 10 in a crowded mall, it would be better than a weekday out in the streets. Nikhil had mildly suggested to Dharker that Inca set up kiosks, "Better when there is a kiosk where he can approach and talk — but when you have the sales people out there approaching the customer... it can be intrusive, an invasion of privacy and disregard for the leisure time of the customer."

The Giro product manager, Ankit Nayar, would not agree, "But if I don't do it, someone else will, and if he is anyway going

Illustration: ANTHONY LAWRENCE

to lose his privacy, then let him lose it to me!"

They talked about short-term sales by the end of the month, Nikhil talked about long-term relationship and trust-based sales. Ankit talked about new areas and innovation in distribution of financial services and Nikhil talked about differentiation on the basis of customer respect and relationship. "It's finally a numbers game," said Ankit. "Therefore, my first focus will be building the biz, later I can worry about softer issues such as sensitivity."

Nikhil talked of good, old-fashioned branding and loyalty that will make the customer come to him (achieved through respect for customer) and not chase the customer like the chaps who sold fake watches around the Red Fort. Ankit Nayar shook his head, "I believe in the bird in the hand; the two in the bush don't touch me. First, train my people to be go-getters, then we can tell them where to slow down. But if you tell them to be genteel and polite, I will have to wind up!"

When Nikhil met Dharker as part of his 'Train The Trainers' programme, he reminded him about the 80-20 principle. "At Inca, too, 80 per cent of your sales are from a relatively less number of sources — existing clients and references and responses to ads," he explained. "What happens at malls, petrol pumps outside ATMs and airports, etc., is a variable 20 per cent, that takes up more than their fair share of time, so we must explain this to the trainees so that they are able to plan their sources and activities better."

DHARKER gagged. "No! Don't tell my trainers about this 80-20, they should not become wise to this. It will mark the end of all initiative! It is this marginal 20 per cent that finally gives us profit... . So, we have to put all our effort behind it. Also, the variety, the challenge and even the learning comes from this 20 per cent. Our average conversion ratio has been 10 per cent in public places, so all they have to do is meet 10 customers and they get one sale. See, the perfect customer is not going to come to him!

"So whip up the froth so that they, in turn, can be real aggressive with the trainees, the guys who finally sell on the floor. Finally, it is a numbers game. We have to deliver and a sales person has to get used to hearing 'No' before he learns to draw a 'Yes'."

"And what about image?" asked Nikhil. "It can be upsetting for people to realise that the slick, smart organisation portrayed in Inca ads actually comprise people who are a far cry from the well-conducted models in the ad, but, in fact, annoying people who are insensitive to an individual's right to private space. Your '20 per cent effort' which aims to intrude into their silence can misfire badly." And an unfazed Dharker had said, "In such a large country, how does it matter if you upset a few people with your sales drive? There are more who will still believe in the ads!"

Inca yesterday and Formula today — Nikhil felt modern business was not just getting aggressive but obnoxious. Worse, business seemed to be saying to the consumer, 'Consume what I offer, dammit!' From the standpoint of modern day business managers, it seemed all employees and customers were mere statistical observations and notations.

At Inca, the management was willing to risk upsetting nine potential customers to get that one customer 'because we are a billion-plus country'. The people Inca was willing to upset were the mall hoppers who in their opinion were small change. Dharker's 80 per cent comprised the Rs 1 crore-plus customer — the high net worth individuals who got a completely different treatment from Inca's preferred services team.

As a parting shot, Dharker had added, "Don't smarten them up too much, Nikhil; today the competition is too hot, I have to contain attrition!" And Nikhil felt confused between anger and sympathy for he was, yet again, witnessing fear combined with aggression, combined with trickster tactics — all aimed at bigger business gains.

Formula's HR man Kanwal Suri, an ex-colleague of Nikhil, had not been surprised by Dharker's attitude. Suri said, "I don't blame him! The market place is a hotpot of warfare. These trainers who you train are at the stage where they are desperate to show greatness and performance. The world has become a mass market — any expertise you gain today becomes commodity by morning. So, your USP has to be mined from within. People don't have patience to ideate intelligent strategy. What can they do, but resort to trickster tactics! Can your trainer-trainees stand there and watch their nubile floor salesmen leave? No! So, he will try and build them less. One step ahead, can Dharker afford to see his trainers leave? No! So, he will make sure he equips them less!"

These banks, financial institutions, BPO, insurance companies, etc., created internal pools of trainers who were trained by an external trainer in a 'Train The Trainer' workshop. They would then become internal trainers within their organisation. Now, training combined with specialised functional knowledge is a very rare and useful skill — especially for these industries that were highly dependent on skilled manpower. These trainers were extremely valuable and in demand as trainers in Six Sigma companies, or EQ or insurance, or finance product sales, SAP, etc. So, the risk of losing such trainers was very real, realised Nikhil.

Nikhil now saw that to reduce this risk, clients often restricted the inputs given to this group of people. So, all training was clipped and edited deliberately a few months ago as the V-P of a 2,000-strong BPO, Lotus, had cautioned Nikhil quite boldly, tempered with a warm smile, "Let us focus on the skills that they can use immediately on the job, rather than general skills to improve as trainers. It is difficult to find good people, and the industry is always on the look out for highly trained manpower. We have lost enough people earlier, so we would not like to take such a risk again."

Not that Nikhil wanted to train them outside the scope of the client's brief. But there were some aspects such as individuality development, assertiveness training, sensitivity train-

ing, in which he felt they needed to be more effective and also because these were exactly what everyone was cribbing about, that the polish, grace and maturity needed to deal with the end consumer was missing totally. But clients felt these were not required or, as in the case of Formula, were detrimental to incremental sales. Nikhil disliked being the conduit for such 'untraining'.

Suri had laughed at Nikhil's discomfiture. "You cannot anymore, come with the Utopian ideas of what is good for the market, Nikhil. Today, the market will take what it wants. If you will not give it, there are others waiting to sell at any cost!" This remark was a fall-out of a survey on the kinds of sales training in demand that Nikhil was conducting. The focus of all-sales training was primarily on selling, developing accounts and communication skills. Customer service training was rarely included, although, if you respected your customer and served with humility and a smile, you had him purring at your feet. Likewise, there was never a module included for 'individual development', where an employee was trained to develop into a better individual, which would, in turn, help the organisation in the long term. As Dharker himself had said today, "All that is not my problem. I will pay for training for the 'here and now results'."

Annoyingly, the same thing had manifested at Suri's Formula Telemarketing where the trainees had gently hinted at 'too much stress and a demanding environment', validated by Shaquil's breakdown. When Nikhil (who was their resident training advisor) had suggested a week's workshop, the head of sales had said, "If you say that to Mr Suri, he will say 'What stress', for it has always been his stance that it is the individuals responsibility to manage stress. But I do feel we need a stress management workshop as I know this job is very taxing. So, don't make the mistake of saying 'people development'. Instead, talk about loss of mandays and, hence, loss of profit. That is the language they speak."

And Suri echoed that, "Individuals have to work on managing their personalities and stress. What all can we pay for?"

Nikhil paused, then said, "Tell me, can an organisation seek to respect its consumers without respecting its employees? This duality is what is causing stress among employees, Suri. Think. You claim you want to serve the customer, respect the customer. But you are selective in what kind of customer you will respect, but you choose to execute that duality through your employees. The dual lives they lead takes its toll on them. That's how I see it.

"Let me explain: the more lucrative a customer, the higher his potential, and the more respect he gets. Now, a sales person calling to sell a credit card or an extra SIM card is, by design of the sales process, bound to give less respect to the customer, because he has to adhere to the norm of completing a call in 15 seconds, if the customer is not interested, in order to log 75 calls a day, right?

Yet, a sales person selling customised investment options or a Gold Premium Credit Card to a high net worth individual is instructed to be extremely patient and respectful for months, sometimes more than a year, before the customer responds to him. And mind you, during this year-long period of wooing him, he can ignore, he can insult, he can mistreat, and he can rubbish your sales person. Yes?

"Recall the time, those very old days, when we were trainees selling water purifying machines (both had been management trainees at a home appliances company once). We would go from company to company meeting the admin departments, accountants, bosses of all kinds! How they tossed us around, remember? Sometimes they kept us waiting at the reception and forgot all about us. Sometimes they called us and then told us to go away. You know why? Because we were young and they were older. Olders usually push around the youngers. They justify that with, 'That's how you learn'... And even our boss told us, 'Just go, park yourself there, become a nuisance but make the sale!' How long did it take before we made one sale, Suri? And the humiliation?"

Why does it seem suddenly that older people use the younger educated people use the less knowing and rich people use the less rich to perform tasks they would rather not perform?

THE chap selling SIM cards and the chap selling investment options — are they very different from each other outside of their jobs? I think not. They are the same people — who respect friends, relatives, shop keepers, fellow commuters... Yet, both have different scripts because organisations have put that difference there! Organisations attach respect to high-rupee-value customers, while they grudge the small customer the 15 seconds too! I was watching a scrap between two of your lads this morning, Suri. And it struck me that Formula was forcing individuals to be prejudiced between customers and, thus, steadily destroying its people! You insist on keeping the training to the bare minimum and no personal development talk, but you do not realise what damage it does when you do not equip them fully.

"And this, Suri: The very spirit of organisations in society is intended to make lives better, to make living better, to elevate humans. It occurs to me that what Formula, Inca and all the organisations that bulldoze through life without a care for what they are sowing minds with, what price they demand for the salary they pay, is a denigration of human kind. The society we are living in was built for us by our forefathers. At 42, Suri, it's time to take stock!" Shaquil's breakdown this morning echoed a truth, that organisations like Formula were unwittingly abandoning human responses and human feelings to hear the jingling of the cash box. This was driven home by a memory of an event at Tiger Equity.

Recently, he was monitoring the sales team at Tiger Equity to capture the average amount of time it took them to seal a sale. Tiger wanted to increase the return per minute, hence wanted to cut out unnecessary motions and acts during a sales call. At the online equities trading (OET) division, Nikhil

was to hear tales that would only strengthen his annoyance.

Rudra Kohli was shouting out an instruction to a new colleague: "Unless the prospect is willing to start off with Rs 1 lakh as the initial amount of investment in OET, do not make a visit. Right over the phone tell him categorically — 'if you are serious about opening the account and are going to invest at least Rs 1 lakh as the initial amount, only then I will come over with the forms.' We don't waste time with small investors." But Rudra's colleague Taneesh had added, "*Aur sunn*, do not even hand over the form when you go there. I know the forms are standardised, but if he gets the forms he will read and ask 20 questions, *apne paas* time *nahi hai*, OK? Just fold the forms over to the last page where his signature is needed and tell him politely, 'Sir I won't waste your precious time, I will fill the details, you only sign here.'

Nikhil looked at the average age of these young men and women; 25-29. *They are as we built them, pity!* He thought. Could they be ideating thus without their seniors' intervention? Could not be, for rules and styles always flowed from the top. Nikhil felt he was caught between the buyers and the users especially. As a trainer, he tried his best to bring into his training the needs of the market, but it did seem that the buyer of services had chosen how to run the business. But the end consumer of those financial and retail services was annoyed. Adip Kar, marketing manager at a paints company said, "They have no grooming!" — stating reasons from annoying phone calls and immaturity of understanding portfolio needs to total lack of finesse and skills needed to deal with end consumer. And Kar was banking with one of the top banks in the country. Naturally, he had assumed its sales team came with grooming. Said Kar, "Such hype on their marketing but it is annoying that they trade mobile numbers between divisions. The other day, I got a call from their cards division. 'Hi, Adip, this is Priya! Can I take eight minutes of your time to tell you about the platinum card for our elite clients?' Who the hell gave Priya my mobile number, my net worth data so that she can call me 'elite', and what ever happened to basic etiquette? And 'Hi Adip'? What the hell was that?"

Kushal Saxena, an old college buddy, said the same thing, "I dread switching on my mobile phone on weekends, Nikhil. Sundays, right in the middle of my golf, I get calls from telemarketers. Or, when I am travelling, am in a totally strange time zone and I get an SMS announcing 'New Fund Offer of XYZ closing today, invest fast in growing market fund, call me…' and it is 2 a.m. in New York and I have just been rudely awoken! It's as if these guys just wait for the sun to rise to pounce on every mobile number in their address book."

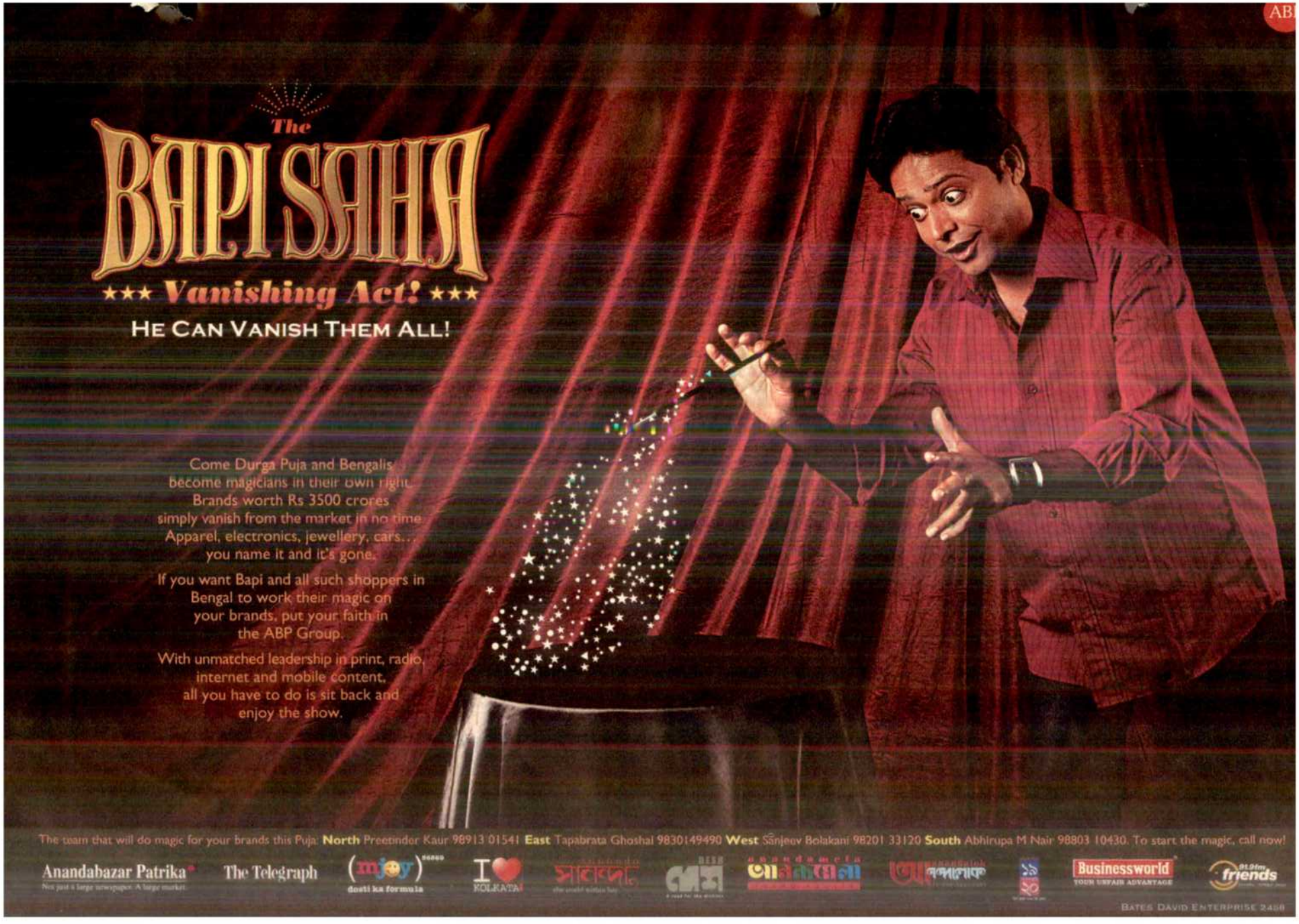
RAKESH Pant, a CFO said, "The crux of the problem is their grooming. We also take raw kids from campus, but we spend on grooming them. And mind you, our boys are not even dealing with the end consumer. Yet, grooming is a significant part of our training. These portfolio managers or sales managers lack social graces — how to talk to a client, when to talk, what to say and what not to say. Most are mere hee-haw sorts who merely do the old-fashioned high-pitched marketing thing. Often, this is because of pressure to get the sales numbers, combined with lack of training and ability to handle both business and social skills. B-schools don't teach all this. I mean, I get hugely ticked off by the 'Hi Rakesh' kind of familiarity and hate this Americanism in the Indian context. How do I tell my banker this?

"Oh, yes, then numerous e-mails on 'tips about mutual funds to buy' on my official mail id — right after the first meeting! It's a common thing — once they get a visiting card, sales people often send e-mails — about once a week — under the guise of 'providing up-to-date investment information to the client'! It can contain general news from the week's newspapers to investment tips (especially those funds where their bank is involved) IPO/ NFO details. Now, this is spreading to text messaging too! Tell me, how, or in what kind of language, do I call my relationship manager and tell him?"

Nikhil met a frustrated Shaquil. "I am a poor man, sir. So, I will do any job to earn because I want to study. But I remember my father who was a door-to-door salesman. You know, he would not even call a customer to collect his dues, because he believed it was impolite! And this..? Wow!" ■

Classroom/syndicate discussion

If organisations are intelligent, do we need enactments (the TRAI's ban) to control corporate behaviour? Also, do organisations assume responsibility for influencing young minds?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Model Munna

The author is a consulting psychotherapist and psychiatrist at Apollo Hospital. He works with several organisations on mind-related issues and also heads Saarthak, a non-profit organisation dedicated to mental health.

WE live contradictions and, perhaps, survive them. I am going to focus on the contradiction of how we have become questioning and silent at the same time. We question everything that seems to harm our personal interest and we seem to be quiet about everything that seems to harm someone else. We become livid when someone crosses our path, takes our parking space, our turn in the queue, our child's seat in the nursery school, our right to information and overcharging by the proverbial 'cheat' called the autorickshaw driver. We look the other way when a Kiran, or an Ankit or a Dharker does the same to their customers. We justify it with some mumbo jumbo from a business book. Evident in this contradiction is our focus on ourselves as individuals. We behave as if we were islands, protecting our boundaries and unwilling to merge and integrate. Our identities are so threatened that we justify the annihilation of other people's identities in trying to protect our own. This trend is disturbing because we do not realise how close this is to being a predator.

When selling becomes hunting, it kills the souls of people who sell. It is a huge cost for a society. Last week, the nation saw an example of this when a reporter allegedly cooked up a story and a mob became the judge and jury. No one recognised that all this may have been precipitated by the need to meet a definition of success that is oblivious of the impact of the success. The definition of success that the news channels may use — one sensation a day — to make a news channel survive overlooks the impact of news on the lives of the people. Last week, again, this nation saw many false promises being made, many lives being intruded upon, many innocent people like Shaquil being forced to exploit many other innocent people. It is a jungle out there.

This case study is a story of a culture which is changing to a hunting culture. We are all going for the kill. Indians have found the killer instinct. Life has become selling. Selling has become hunting and the customers are the hunted. We are the hunted. We are also the commodity. We are all hunting each other. We live out this contradiction. It is generally suffocating and specifically hurtful. Especially when you expect to be cared for and nurtured and you are hunted. The mantra is — go for the big kill, ignore the small one and overlook the impact of what you do in your ruthlessness to score a hit. What Kiran has learned, what Ankit and Dharker have sanctioned will lead to the narrow definition of organisational success. Selling need not be coercion. Selling need not be exploitation. Selling need not be humiliating. Selling need not be a lie.

Dear Kiran, you can choose to join the hunt. I, my dear friend, want to refrain. I have no need to be branded successful, I am what I think of myself. If I think of myself as a hunter sharpening his nails all the time ,it does not give me a sense of success. It may give me numbers, but I do not get to live. I need to live. Don't you?

Shaquil, do not be exploited. What will make you a better person? What will make a business more successful? A satisfied old person or a disgruntled abusive customer in a mall? You do not need to be a CEO or a master strategist to know this. Some decisions are made because they are more human and, thus, better. It is the expression of this humanness that makes us remember that we are human and not predators. Hang in there Shaquil and Nikhil, you are the voice of humanity. The world needs you, whatever business strategy may say.

A note for organisations that fear being extinguished by competition. Let your USP be that people count. A hurt to one person is a significant hurt to your business. It is wrong. No amount of advantage can justify that. Once you work with people as people, whatever you do has more significance in their life. They remember you. They are your ambassadors.

I call this the Munna model of selling. Munna is a plumber. I have personally recommended him to 50 clients in the past year. He is honest, he does not take advantage of my ignorance and keeps me informed. I do not question him. I refer him to other people. We also have a gardener who looks after our plants. I do not remember his name. I am too lazy to change him for myself, but I do not refer him to others. He definitely tries to make small money out of everything he buys for us. He is nameless for me. He keeps me as a customer but I am not his ambassador. Do you want ambassadors or do you want customers who suspect you? Your choice.

If you do make the choice of a culture where Shaquil can be nurtured and you are willing into ambassadors, the do-a-quick value audit for your organisation, ask yourself:

What is the selling philosophy of my organisation?

What are the activities of my organisation that do not respect people?

What are the activities of my organisation which respect people only because they are either buyers or potential buyers of your service/product?

How does the organisation deal with people who are upset with it?

If you were a person who came in contact with your organisation, what would be your expectation from it?

Do you have answers to these questions? The answers are your agenda for change. Define your success through the number of people who have benefited from the organisation, and not the number of people the organisation has benefited from. ■

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Sense Incense

Pranav is a certified EQ coach and heads a corporate training firm, Right Flow. You can get more information about him on www.rightflowindia.com

AT the core of Nikhil's dilemma is the dual nature of managers towards their customers, employees, family and friends. And somewhere, this is making him question the level of interpersonal sensitivity in the society. "Are we becoming insensitive to others around us?" And if we are, "Who can change this?"

As a trainer, Nikhil has always looked at people to be developed — be it employees or customers. They are not merely a 'human resource' or a 'lead' or a 'statistic'. And this, to him, is the key to changing the situation in organisations.

Soft skills are proving to be the deciding factor between an effective employee and an ineffective one. Sensitivity, empathy, verbal and non-verbal communication, creativity and intuition are some of the key elements of what is now popularly known as Emotional Intelligence (EI).

More and more research is pointing towards the fact that EI is what helps people live in harmony in any society. It helps employers understand employees and helps employees understand customers. Unfortunately for Ankit, it is not a passing fad.

However, what Ankit and Dharker face is all too common to be ignored. Should we focus on immediate business results? Or, focus on long-term development of our people and use this to create long-term differentiation? With high shortage of trained manpower and attrition rates anywhere between 20 to 70 per cent, their focus is to develop a business model which is more process dependent rather than people dependent — which looks at now, rather than face an uncertain and ever changing future. However, this leads to the sales strategy becoming 'Ready-Shoot-Aim'.

A similar question was facing Indian organisations not too long ago — should we focus on immediate sales, or should we focus on brand building for long-term competitive advantage? Today, for most marketing managers, the answer may seem an obvious balance between the two. Such was not the case when many marketers faced this question. And they had a tough time getting budgets for brand building.

For Ankit and Dharker, the answer lies in the age old paradigm. The only thing worse than attrition of trained manpower is retention of untrained manpower. Training is one of the few ways how an organisation can differentiate itself through its people. Yes it hurts when a trained employee quits his job in a few months. But the repercussions of not training them are very high. And deliberately restricting the knowledge of a trainer can be even more detrimental.

Training is one of the few ways in which organisations can develop their people to take on the uncertainty and build a powerful customer focused brand — by ensuring that the organisation respects its employees, and they, in turn, respect their customers.

I have experienced two incidents which emphasise the need for manpower trained in soft skills.

Recently, I exhibited interest in opening a current account on a bank's website. Within two days, I received a call from their sales person. Very impolitely, he declared that I had shown an interest in opening a savings account with them and asked me when he could come over to complete the paperwork. When I informed him that I was interested in opening a current account, all I got was an 'Oh', and he disconnected the phone. Needless to say, I am never going to open a current account with them, regardless of how much their website says about how beneficial it will be to me.

Another incident not too long ago will help reinforce the point here that processes, no matter how idiot-proof, do not ever substitute for trained people. In fact, processes should be designed to help people do their jobs better, and not the other way round.

I received a call from a bank offering a credit card and despite having said 'no' to many such offers earlier, I decided to take up this one. We agreed on a time when the sales person would come and 'collect the documents'. The sales person came at the agreed time and handed me the application form. I requested him to come after two days to collect the documents, after I had studied the application form.

I did not hear from him for six weeks. And my repeated calls to his cell phone were picked up by his mother. During these six weeks, I was approached by the branch manager of this bank to discuss wealth management and financial advisory services, wholly unaware of the credit card situation, let alone resolve it before offering another product.

Inca Px, like most other similar organisations, is probably going all out in all their efforts to acquire and retain customers — slick marketing campaigns and advertisements, direct marketing, a huge sales staff often employed by agents, events, brand building exercise, accessibility to their customers, CRM initiatives, etc. An addition that will greatly help them here is differentiation from competition, not more of what the competition is doing because "someone else will do it".

Customer focused organisations listen to their customers, and right now their customers are crying hoarse, "Give me an option to come to you, don't hound me".

It is sad that the regulatory bodies had to step in and curb unsolicited telemarketing. Maybe, a similar action is needed for 'insensitive marketers'.

But insensitive marketers will always be a step ahead and find ways to go around the law. Probably, with a billion-plus population, the odds are in their favour right now. But for how long, I wonder. ■

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SUMATI NAGRATH

Women's web of SUCCESS

IN the soft, red light of one of Delhi's finest bars, nearly two dozen women entrepreneurs sip red wine, as mellifluous music plays in the background. India's new band of businesswomen are not clinking glasses to chat away the evening. These impeccably dressed women are, in fact, holding an informal business session — exchanging ideas on tax breaks, labour laws, *et al*. Welcome to the cool new idea now floating among women entrepreneurs in India: network to grow.

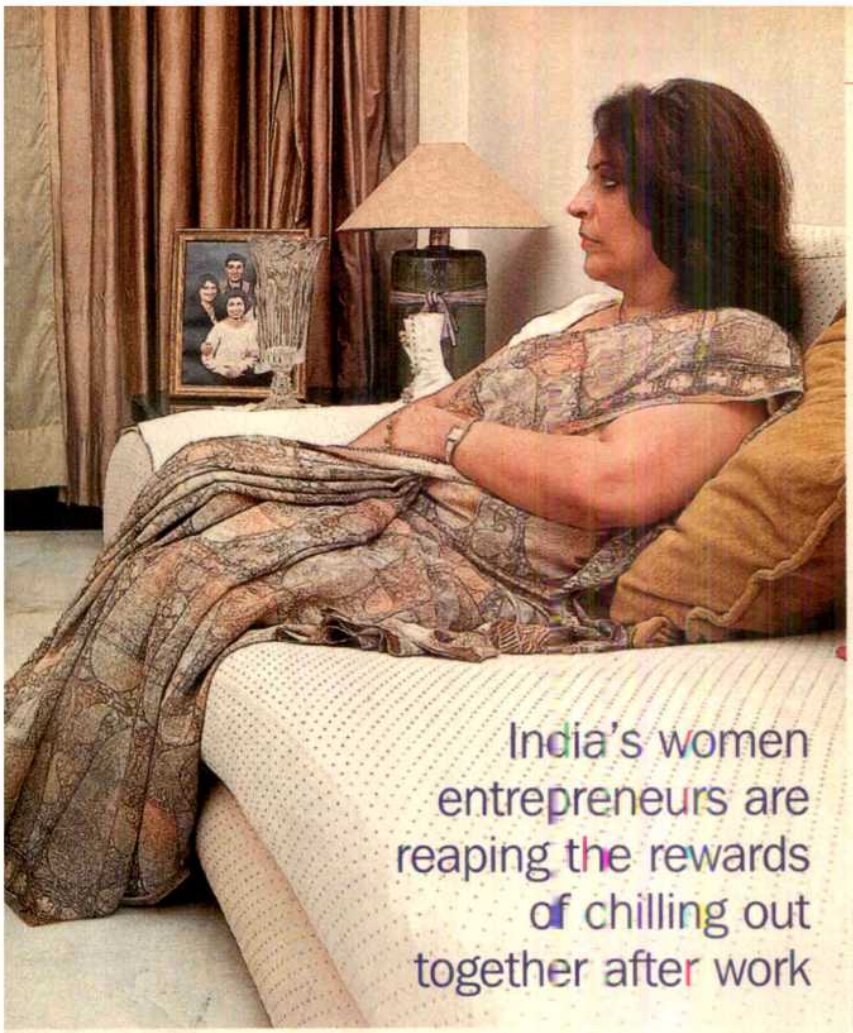
As these venturesome women exchange business cards along with the nibbles, Meena Kapoor, a member of the Delhi-based Women in Business Network and a co-organiser of the session, sits content watching it all. "For long, I had wished to get away from the old boys' teams and cultivate a network where I could find my own comfort level," says Kapoor, CEO of astroyogi.com, an astrology portal that also supplies content to mobile services providers.

A Place Of My Own

India's women entrepreneurs are increasingly integrating into these same-gender networking sessions. Being part of such networks allows them to access rewarding business information and support systems that strengthen them as entrepreneurs and professionals. "Women entrepreneurs face issues such as managing priorities between family and work, deciding whether to scale up or not, etc.," says Shilpi Kedia, a steering committee member of Delhi-based The Indus Entrepreneurs (TiE) Women, another businesswomen's network. "Our primary aim is to create a platform of belongingness and sharing for entrepreneurs and also to connect with the larger ecosystem," adds Kedia.

These networks provide opportunities and alternative learning spaces for women who, for various reasons, find themselves excluded from several of the mixed forums. "While being a woman has not stopped me from running my business, I definitely missed out on the benefits of networking after office hours," says Kapoor. Staying back after work for a round of drinks and looking out for tips is not an option for many women who are either uncomfortable in such meets or have familial commitments. This exclusion often translates into missed opportunities. Members such as Kapoor say they benefit tremendously from being part of the network. "I was preparing to apply for VC funding and didn't have a clue about where to start. But other members in the group pitched in with advice and mentorship."

In the early 1990s, the Press Club in Delhi opened its doors to non-journalists and soon become a watering hole of liberal size. "But a large number of women felt uncomfortable and began to stay away, thus missing out on a number of networking opportunities," says Sushma Ramachandran, president of Indian Women Press Corps (IWPC). Thus was formed the IWPC with the



TRIBHUWAN SHARMA

COMFORT LEVEL: Meena Kapoor (R), with a member of her Women in Business Network, a part of the growing club of women entrepreneurs

explicit purpose of assisting women in their professional pursuits — offering a place to hang out, meet, network and develop strong personal as well as professional relationships. "We try to inculcate a sense of camaraderie so that these women can share experiences, offer advice, seek guidance and learn from each other," says Gita Dang, one of the main forces behind Women in Business. To get around familial and other constraints women face, the network's 55-odd members meet once a month.

Some women tend to be ill at ease at after-hours gatherings as males outnumber females by far in these spaces. According to a 2005 CII-IMRB survey, 'Understanding the levels of women empowerment at the workplace,' while women comprise 16 per cent of the junior management levels across the corporate world, they form just 4 per cent at the senior management positions. The percentage of women in the topmost levels in private companies comes to a dismal 1 per cent. "Men have a natural tendency to network," says Dang, a senior client partner and head of the global technology markets for Korn/Ferry International. "I've seen men strike an immediate rapport after establishing that they belong to the same *alma mater*, such as an IIT or IIM."

The Women in Business Network is supported by TiE, which has evolved as the world's largest not-for-profit organisation for entrepreneurs. At the national level, TiE runs a special interest group called TiE Women, which encourages women entrepreneurship and focuses on key socio-economic challenges and opportunities for these entrepreneurs.

Evidently, the trend is global. Organisations such as the US-based Women's Leadership Exchange and the UK-based Women Business Network aim to connect and provide support for women who own or run growth companies. In India, there are organisations such as the FICCI Ladies Organisation (FLO) that work to achieve similar goals. "Set up 25 years ago with the aim to promote women's entrepreneurship, FLO today holds regular workshops, runs a business consultancy cell and facilitates networking through periodic meetings," says Shipra Chatterjee, FLO's executive director. What sets networks such as Women in Business apart from FLO is that the former is exclusively focused on promoting networking and providing mentorship for urban women. FLO has a broader agenda, which includes supporting self-help groups in rural India.

"Traditionally, Indian businesswomen were daughters or daughters-in-law of the nation's plush business families," says Kapoor. "For them, the access to mentoring, advisory boards and funding came at a snap." Today, more and more educated, middle-class women are opting to become entrepreneurs in the traditionally male domains. And they do so all on their own steam.

Integrate, Not Segregate

As in other entrepreneurial matters, even such trends raise opposing views. While some argue strongly for women-only networks, others remain ambivalent about them. Kedia of TiE is one among them. Although Kedia is part of the steering committee of TiE Women, she believes there should be a larger camaraderie that does not exclude men. "I don't think we need a separate women entrepreneurs' network," says Kedia. "Instead, we need a stronger and more congenial network or an ecosystem for entrepreneurs per se, where men and women alike are encouraged to proactively engage, collaborate and grow."

Nevertheless, the same gender network enthusiasts beg to differ. "A woman-only network provides something specific that a mixed forum can never offer and that is a sense of empathy," says Dang. The empathy factor, she says, prompts a large number of women to grow into mentors and help other women with guidance regarding the most basic financial matters to more complicated legal issues.

In an age that flowers wikis and social networks, it seems India's women entrepreneurs have just found where to start their journey to their idea of business 2.0. ■

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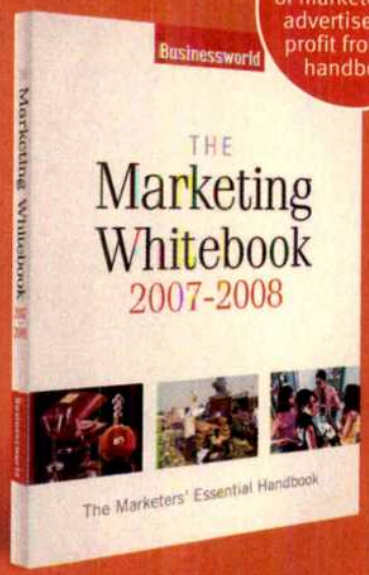

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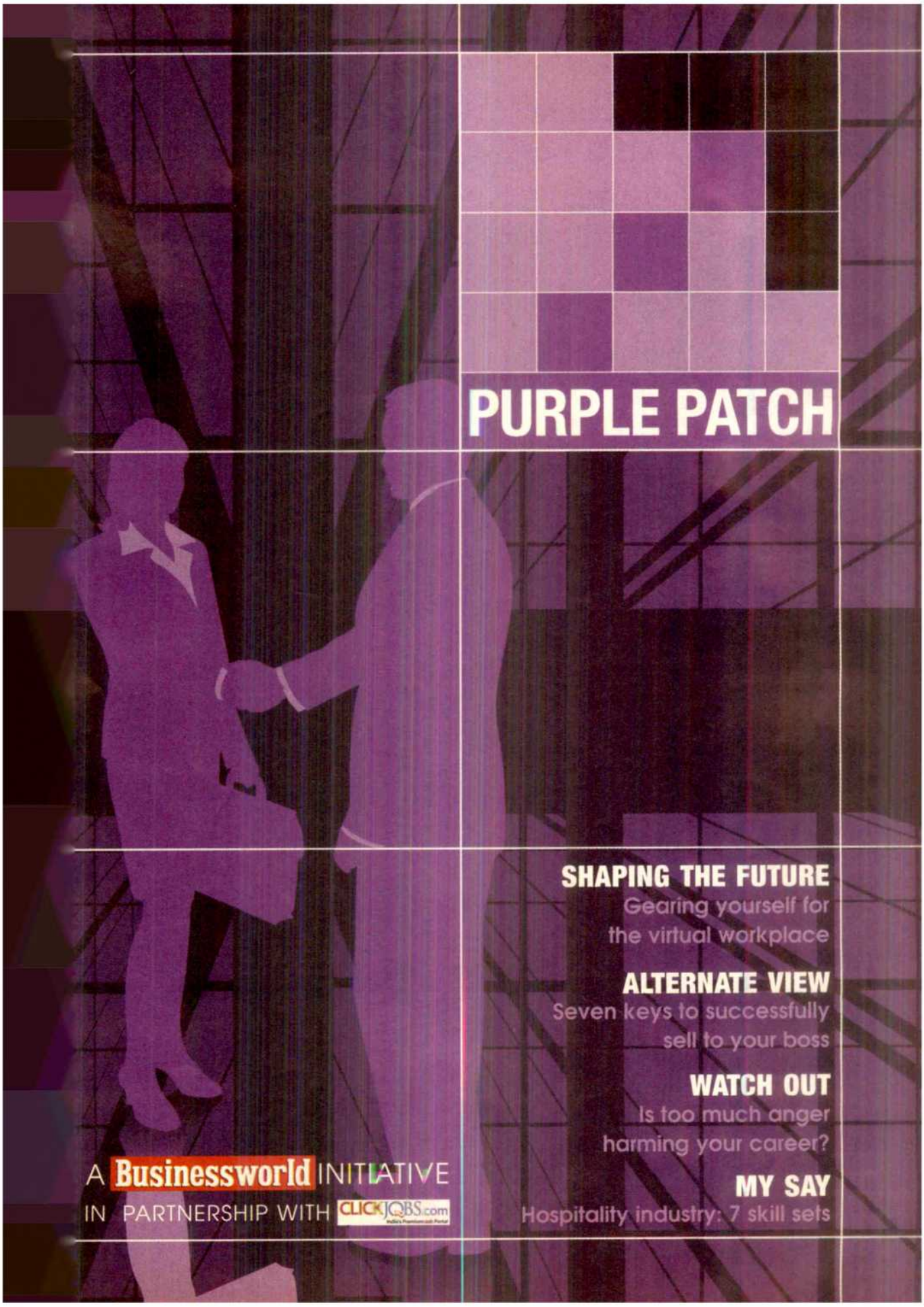

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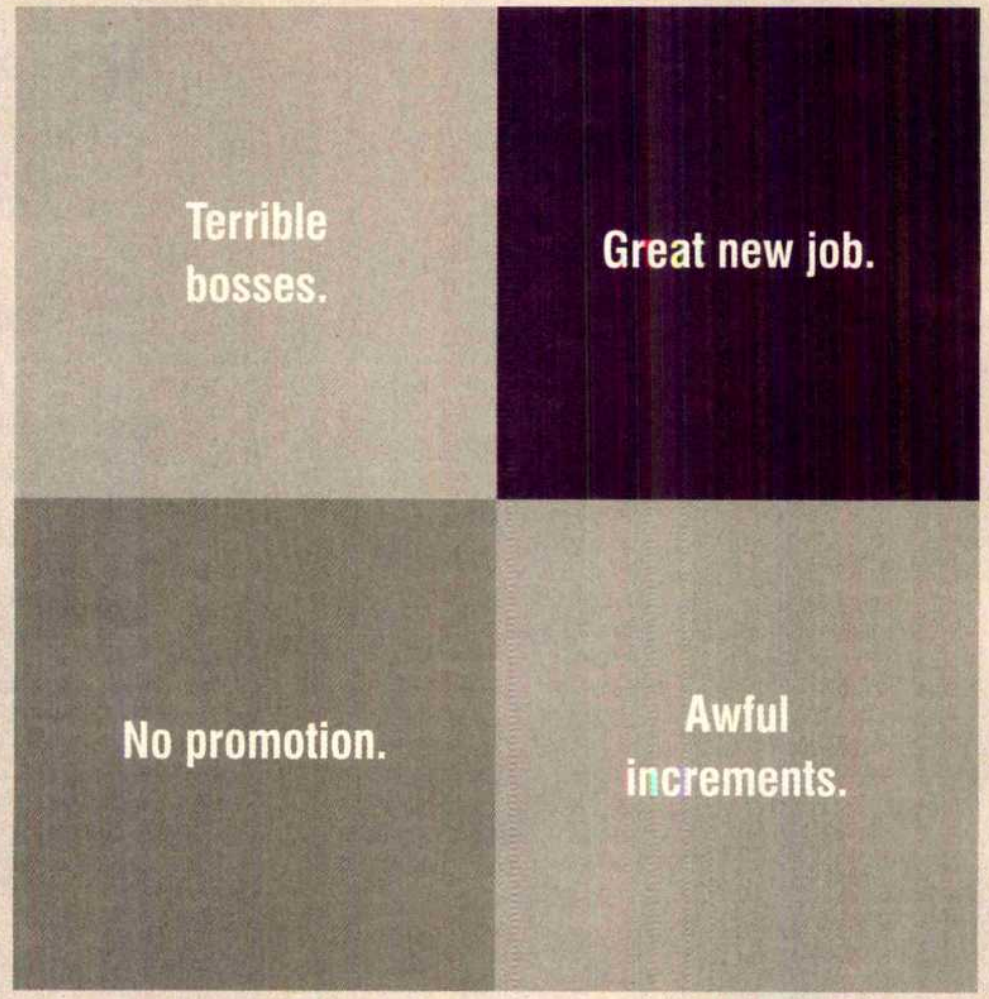

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SHAPING THE FUTURE

Gearing yourself for the virtual workplace

Telecommuting is no short-term fad but here to stay. Here are some tips to help companies and individuals create a successful telecommuting culture in India

In the US, a whopping 25 per cent of the workforces are telecommuters, according to a latest survey by Gartner Dataquest. By 2009, it says this figure will rise to 27.5 per cent. In other words 19 million workers will no longer be driving to work.

In India, the percentage of remote workers is far less. Although a growing number of Indian companies and individuals are seeing the merits of telecommuting-enhanced productivity, fewer overheads, fuel savings and cleaner environment-that giant leap of faith has still not happened.

Perhaps because in India, companies and workers still have a niggling feeling that telecommuting affects career growth, that sensitive projects cannot be handled away from the office, that power and technological back up at home is still an issue and most importantly, the emotional quotient is missing.

Says Rosita Rabindra, executive Vice-President, NIIT Technologies which only has a policy for short-term telecommuting assignments for certain roles, "This allows a NIITian who needs to be home (to look after a small baby, an ailing member of the family or while recuperating from a medical exigency or where commuting is an issue) to spend time at home and work from home. We provide a computer and an internet connection and expect the NIITian to pre define his/her assignment from home and perhaps visit office once a week."

At NOIDA-based InterraIT, a fast-growing niche engineering software firm, virtual teams work across NOIDA and Kolkata in India, the US and Japan. However, it happens only on a selective basis.

And then there's also the issue of the emotional quotient. As Dony Kuriakose, who heads Edge, an HR consulting firm points out, there is a big difference between the work culture of American companies and Indian companies. "We need to pump flesh a lot more as do the Europeans, whereas in the US the emotional involvement with the job is less intense," says Kuriakose.

At the other end of the spectrum, idyllic though it sounds, not every employee is an ideal candidate for telecommuting. As Sanjiv Kataria, Strategic Communications Counsel, explains: "You have to be networked for over 10 years before a company has the confidence in your abilities to telecommute." There are also certain personality traits that adapt faster to remote working.

Despite management reluctance and employee fantasies, Kuriakose says telecommuting is here to stay. But while

MY SAY

Hospitality industry: 7 skill sets

Suresh Nair, general manager-HR, Sarovar Hotels & Resorts

Suresh Nair, General Manager -HR, Sarovar Hotels & Resorts, underlines 5 essential qualities critical to the hospitality industry, given the fact that customers are the most important people in the business, and nothing is more important than serving them:

- Good interpersonal skills, ability to interact with people
- Initiative to deal with problems which may arise if the customer is not satisfied
- Neat clean appearance and good personal hygiene
- Friendly disposition and willingness to work long hours
- Friendly disposition, confidence, efficient and honest
- Ability to work in teams
- Relevancy-product knowledge, experience & general awareness of the business environment

reader speak

Purple Patch invites readers to contribute their views
e-mail: purplepatch@bworldmail.com
Selected entries will be published in the forthcoming issue

the US model might not entirely work here, there's no stopping a hybrid model from being developed in India to create a successful virtual workplace that meets our emotional needs.

Here are some pointers on how to successfully create a telecommuting culture.

HOW TO BECOME A TELECOMMUTE FRIENDLY COMPANY

Most companies that are resistant to the idea of their workers telecommuting are those that believe that work is a profoundly social activity. Certainly, team meetings and interactions are necessary. Also, as Kuriakose points out, the biggest challenge of a virtual workplace is the creation of a company culture. How do you get the worker to identify strongly with the organization? In the US, several companies ranging from technology firms like CISCO, SUN, to financial companies like Merrill Lynch and even retail firms like Wal-Mart have come up with strategies to handle these issues. These include:

- Making their telecommuters come into office at least once a week, attend all the training programmes, parties and other social interactions and above all are assigned a mentor.
- Creating cyber zones where the telecommuters can network with each other and not feel isolated. These are essentially chat rooms that enable remote workers to communicate with co-workers they've never met or worked with, and to enjoy all of the social benefits of a traditional office environment.
- Some companies use the buddy system, pairing a couple of tele-workers in the same geographical zone either in a business centre or hotel to minimize isolation. Other companies have created virtual teams that meet online or on conference call daily at a pre-fixed time and then go about their work.
- Often, there are no written policies but only a verbal agreement between the employer and the employee-now companies are realizing that a written policy on the arrangement works better.
- Career growth for such is the latest big issue lately. Just because the remote worker is not in the office every day does not mean that he is not interested in the promotion track. Several companies have evolved evaluation procedures for remote workers. According to Kuriakose, for certain functions teleworkers can even aspire to head a department-he cites the head of a global silo, who telecommutes from India successfully.

HOW TO BECOME A SUCCESSFUL REMOTE WORKER

Telecommuting is easier said than done. Not everybody can do remote work without the touch and feel comfort of an 'office zone' where trouble shooters are a call away, where the cubicle gives you a space of your own. Networking at home has to be up to speed and you need internal discipline to accomplish tasks within a deadline. Here are some pointers from successful telecommuters:

- Ability to work unsupervised, to be a strong self starter and motivated enough to stick to a task. In telecommuting, since you are paid by results and not by the length of hours clocked at the office, this takes care of the problem to an extent.
- Although the company will equip you with a laptop, desktop and a high speed internet connection, are you technologically well-equipped to trouble-shoot problems that may arise while working from home? Do you have an alternate dial up internet avenue and power back-up to cope with frequent connection outages?
- Flexibility is another issue. Employers expect that since they have given you the opportunity to telecommute, you will be equally willing to drop everything and get back at a crunch.
- Be away from distractions. Can you create a silent zone at home? Typically, there are a welter of distracting situations that prevent peaceful working from home. Is there a way you can get away from it all?

5. Of late, a new problem cropping up is how you disengage from work. Since most telecommuters want to prove that they can successfully work from home, they end up working 10-12 hours, cut down socializing and though physically present are emotionally more distanced from home. One solution is to keep strict 'off work hours' daily.

ALTERNATE VIEW

Seven keys to successfully sell to your boss

Corporate trainer Santhosh Babu says, "Creating great ideas is only 20 per cent of the job, 80 per cent of the effort lies in marketing it to your boss." Selling an idea to your boss is an art by itself. Remember your boss is your biggest and perhaps, your most demanding customer. You fumble in front of him once or are unable to successfully pitch your ideas; you can simply forget getting any advancement in your career.

Here are seven effective methods to do so:

DO YOUR HOMEWORK

Ask yourself how well your idea fits in with the company's strategy, resources, and priorities.Think through it to the end and try not to leave any glaring holes in it. Gather facts, statistics, and other supporting evidence. Often, managers are convinced by written words and figures rather than oral arguments.

GET SOME ONE TO PLAY THE DEVIL'S ADVOCATE

Think about the likely objections, find holes in your proposal, write them out and then have your counter arguments ready.

PUT YOURSELF IN YOUR BOSS' SHOES

Think whether he, in turn, will be able to sell the idea to his superior. Make the idea relevant to him. Use your boss' language. By using his vocabulary, you can pitch more effectively.

SCHEDULE AN APPOINTMENT

Don't just barge into your boss' cabin-choose a time when your boss is likely to be most receptive and also determine the best way to communicate your idea to him.

SHOW HOW MUCH VALUE IT WILL CREATE

If you can demonstrate how much value the idea will create, bosses will buy.

DON'T OVERSELL

Limit the data on the PowerPoint slides to six lines of copy per slide. The data should reinforce your points, eliminating the need for you to recite what's on the screen, said management coach Peter deLisser of Piermont. 'The higher up you go' on the management ladder, he said, 'The more likely you have to make the point more quickly.' Learn to shut up as soon as you have presented your case. Leave the boss to mull over it and get back.

USE INFLUENCE

If the whole team is behind the idea, then it might persuade the boss to give a nod. What if the boss rejects your plan? All is not lost. Find out why he doesn't believe it's a good idea. If you're still passionate about it, ask him if you can try selling it to others in management at the without his approval if you value your relationship with him. Patience is a virtue, it is said. It could very well be that the time isn't right. Keep it in your back pocket and wait for the right time.

Check your personality type?

There are four styles-Driver, Analytical, Amiable and Expressive-which generally call for different approaches while pitching a good idea to your boss.

Drivers tend to be action-oriented and don't like to have their time wasted. Analyticals are detail-oriented and prefer to focus on how the different elements of an idea work together. Amiables are 'people persons' who want to make sure everyone is OK with something new. Expressives are creative and like to brainstorm.

Nothing dooms a presentation quite like an Analytical expounding on his idea in elaborate detail while his Driver boss is looking at the clock and wondering what his employee's bottom line is. So figure out how your boss likes to hear information, and accommodate your pitch accordingly.

IS TOO MUCH ANGER HARMING YOUR CAREER?

WATCH OUT!

Being angry is a normal part of life, but don't let your temper hinder the possibility of landing that upcoming promotion. Be one with yourself, and you'll be the one your supervisors will think of for the new position. The workplace, with its potent mix of jostling human ability, aspiration, hierarchy, control and judgment, is a frequent site for anger management strategies. Your work environment is generally a pre-determined one: changing it is not within your control. The answer lies in adapting and controlling your emotions instead. Understand and control your anger. Alternatively try and change your attitude towards those triggers. Although anger is natural and spontaneous self-defense mechanism, 'converted' or 'redirected' anger is more effective in problem-solving. Never burn bridges, mend shaky ones instead. It's best to attempt this after sleeping over it, at the start of a working day. Better still learn how to avoid it in the first place. The time lapse imparts objectivity. Remember, your colleagues are equally aware that you share their office.

Control Your Anger

- Control Your Anger
- Squeeze a stress ball
- Listen to music
- Leave the room
- Count to ten
- Put things in perspective
- Breathe in, breathe out
- Do something else on your computer
- Write out the conflict
- Confront the person

HCL

HCL is a leading global technology and IT enterprises with annual revenues of US$ 4 billion. The HCL Enterprise comprises two companies listed in India-HCL Technologies (www.hcltech.com) and HCL Infosystems (www.hclinfosystems.in)

OPPORTUNITY MANAGER

Company: HCL Technologies
Job Profile: Opportunity analysis, identification of opportunity through secondary research, industry trends and analyst interactions. Deal Management through bid ownership of RFPs, visits and other client touch points marketing program management.
Experience: 3-6 years
Location: Bangalore
E-mail: daniel.manuel@hcl.in
Job Code: CJ156999

ANALYST-EUC

Company: HCL Comnet
Job Profile: Candidate would be involved in L1 level desktop troubleshooting, would also be providing enterprise level voice support to global client.
Experience: 0-2 years
Location: Delhi, Gurgaon, Noida
E-mail: priyankaan@hcl.in
Job Code: CJ157715

ORACLE

Oracle Corporation is the world's leading supplier of software for information management, and the world's second largest independent software company. The company offers its database, tools and application products, along with related consulting, education, and support services in more than 60 countries around the world.

SOLUTION ARCHITECTS - ECM

Company: Oracle India Private Limited
Job Profile: ECM Solution Architect will work to understand and extend customer's business needs on content management and subsequently define the solution and high level architecture.
Experience: 4-6 years
Location: Bangalore
Job Code: CJ159828

SOA/INTEGRATION SOLUTION ARCHITECTS

Company: Oracle India Private Limited
Job Profile: Candidate will work to understand and extend customer's business needs and subsequently define the solution and architecture. He/she should be capable of taking a lead role in understanding, defining, implementing technology solutions and providing roadmaps to future business solutions and technologies.
Experience: 10-12 years
Location: Bangalore
Job Code: CJ159832

SOLUTION ARCHITECTS-J2EE

Company: Oracle India Private Limited
Job Profile: Job requires taking an architecture lead in team and client meetings, contributing to the repository of Oracle reference architectures, advising on the use of the appropriate architectural processes and tools.
Experience: 2-3 years
Location: Bangalore
Job Code: CJ159835

WIPRO

Wipro Technologies is a global provider of consulting, IT Services, and outsourced R&D, infrastructure outsourcing and business process services. We deliver technology-driven business solutions that meet the strategic objectives of Global 2000 customers. With over 25 years in the Information Technology business, Wipro is the largest outsourced R & D Services provider and one of the pioneers in the remote delivery of services.

ORACLE APPS TESTER

Company: Wipro
Job Profile: Must have experience in Oracle Apps testing (AP/AR/GL).Working knowledge of automation tools (QTP).Good programming concepts (VB scripts).Exposure to test management tool (TD/QC). Should be able to execute the test cases/defect logging. Will be responsible for system test execution on Oracle Apps Application and perform analysis on test results. Create test plans, manual test scenarios, conditions and scripts utilizing Mercury Test Director. Regression test execution.
Experience: 3-4 years
Location: Bangalore
Job Code: CJ159765

SIEBEL TEST LEAD

Company: Wipro
Job Profile: Working knowledge of Siebel CRM, Siebel Analytics, and Siebel Sales. Should have experience in Automation Testing Tool QTP. Exposure to test management tool (TD/QC). The Test Lead is responsible for system test execution on test cases, perform analysis on test results, create test plans using manual test scenarios.
Experience: 3-6 years
Location: Bangalore
Job Code: CJ159763

BAJAJ Allianz

Bajaj Allianz General Insurance Company Limited is a joint venture between Bajaj Auto Limited and Allianz AG of Germany. Both enjoy a reputation of expertise, stability and strength. Bajaj Allianz today has a network presence in over 100 towns spread across the length and breadth of the country. From Surat to Siliguri and Jammu to Thiruvananthapuram, all the offices are interconnected with the Head Office at Pune.

IT COORDINATOR

Company: Bajaj Allianz General Insurance Co.
Job Profile: Trouble-shooting system glitches, managing network scalability, knowledge of LAN, WAN essential along with CISCO.
Experience: 2-4 years
Location: Nagpur
Job Code: CJ136753

zapak.com

Zapak Digital Entertainment Limited (Zapak) is a full-service software gaming entertainment company and a part of the Reliance Anil Dhirubhai Ambani Group. We've got the best and the most exclusive game contents to please and titillate both the casual and the hardcore gamers.

DBA

Company: Zapak Digital Entertainment Ltd
Job Profile: Should know Oracle 9i, MySQL, UNIX, Linux, SQL tuning and shell scripting.

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Experience: 3-6 years
Location: Mumbai/Navi Mumbai/Thane
Job Code: CJ158543

SOFTWARE ENGINEER

Company: Zapak Digital Entertainment Ltd
Job Profile: Must know UNIX or Windows, OOPS, Apache or IIS, HTTP, C++ or Delphi, PHP/ASP, XML/XSL. Preferred skills: Perl or VB Script, MySQL, UNIX or Windows Internals & Network Programming
Experience: Exp: 3-5 years
Location: Mumbai/Navi Mumbai/Thane
E-mail: karishma.pancholi@zapak-corp.com
Job Code: CJ156993

S2 INFOTECH PVT. LTD

S2 Infotech, set to cater to the emerging high volume growth in manpower in the IT sector has the focus to meet the staffing and recruitment needs of IT organizations and manage professionals on contractual engagement, with a clear focus on their training and development.

VICE PRESIDENT DEVELOPMENT

Company: S2 Infotech Ltd
Job Profile: Experience on acquisition, master-planning, feasibility studies, design review and details and tendering will be an important part of the job responsibility.
Experience: 10-20 years
Location: Dubai
E-mail: chandrakant.adagale@s2infotech.com
Job Code: CJ155656

DEVELOPMENT MANAGERS

Company: S2 Infotech Ltd
Job Profile: Project management
Experience: 6-10 years
Location: Dubai
E-mail: chandrakant.adagale@s2infotech.com
Job Code: CJ155658

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DIRECTOR FINANCE

Company: Windows Consultants
Job Profile: Would be responsible for heading and leading the finance function for a US-based IT solutions and services company.
Experience: 10-18 years
Location: Delhi-NCR
E-mail: careers@windowsindia.net
Job Code: CJ154637

HEAD-CFC SERVICES

Company: Exclusive Search Recruitment Consultants
Job Profile: Head Treasury; job involves client servicing by offering sound financial solutions.
Experience: 15-20 years
Location: Chennai, Bangalore, Hyderabad, Pune
Job Code: CJ158193

CTO

Company: PES Global Private Limited
Job Profile: CTO for a leading travel and tourism major with heavy reliance on IT. The person should be good at hardware, networking, infrastructure, software, vendor management, IT security, people handling, project management.
Experience: 10-19 years
Location: Mumbai
E-mail: resumes@pesglobal.in
Job Code: CJ151118

GROUP CFO

Company: GlobalHunt India Pvt Ltd
Job Profile: To provide financial leadership across the group and be an integral part of the management team to help facilitate the achievement of the financial objectives.
Experience: 20-25 years
Location: Hyderabad
E-mail: jobs@globalhunt.in
Job Code: CJ155219

PRESIDENT CORPORATE FINANCE

Company: GlobalHunt India Pvt Ltd
Job Profile: Incumbent should be a CA/MBA/ACS with experience in large set up. Should be currently working at the controllership position.
Experience: 15-25 years
Location: Bangalore
E-mail: jobs@globalhunt.in
Job Code: CJ155189

CEO

Company: mynichejobs
Job Profile: Head the hospital administration, business development & new projects.
Experience: 15+years
Location: Chennai
E-mail: bank@mynichejob.com
Job Code: CJ157123

HEAD-R&D-PHARMA FORMULATIONS & BIOTECH

Company: Ideal Placement & Consultants (P) Ltd.
Job Profile: Should have knowledge of pharma, biotech, formulations, R&D. Advantage if PhD in Virology or Microbiology or Biotechnology.
Experience: 15-20 years
Location: Bangalore
E-mail: pharma@idealconsultants.com
Job Code: CJ156180

HEAD-HR & ADMIN

Company: PES Global Private Limited
Job Profile: Head HR and admin for a 500+ crore, 500+ employee, multi location company in beverages space.
Experience: 10-19 years
Location: Mumbai
E-mail: resumes@pesglobal.in
Job Code: CJ151207

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HEAD OPERATIONS (INVESTMENT BANKING DOMAIN)

Company: GlobalHunt India Pvt Ltd
Job Profile: The person will be heading the operations delivery unit at the India Development Center. Will be leading a large team of developers and support members. The role requires working closely with the global operations team.
Experience: 15-18 years
Location: Gurgaon
E-mail: aradhana@globalhunt.in
Job Code: CJ158383

INDIA HEAD TRAINING AND DEVELOPMENT

Company: GlobalHunt India Pvt Ltd
Job Profile: Will be responsible for assessing and further developing the skills and expertise of all of the staff. He or she will support the growth of the organisation, in particular concentrating on the role that training can play in creating an dynamic, open and fun environment in which our people can continue both to excel and to learn.
Experience:12-15 years
Location: Delhi/NCR
E-mail: jobs@globalhunt.in
Job Code: CJ155865

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Company: Exclusive Search Recruitement
Job Profile: Should have good knowledge of Manugistics, ERP.
Experience: 4-10 years
Location: Chennai
E-mail: rajesh@clickitjobs.com
Job Code: CJ159645

GM-HR

Company: Exclusive Search Recruitement
Job Profile: Postgraduate in HR with 12-15 years of experience in all functions of HR. Should have 4-5 years experience in the IT industry.
Experience: 12-15 years
Location: Chennai
Job Code: CJ158188

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Company: Vinuinfoway Pvt. Ltd.
Job Profile: Maintaining all current software engineering processes, responsible for revising processes to meet new and upcoming requirements like SOX, CMMI, Agile methodologies; for forming and leading the SEPG Group etc.
Experience: 3-6 years
Location: Hyderabad
Job Code: CJ157254

PEOPLESOFT DBA

Company: Vinuinfoway Pvt. Ltd.
Job Profile: Minimum of 2 years proven PeopleSoft server administrator experience including installation and upgrade responsibility with People Tools 8.4x and HRMS 8.8.
Experience: 2-5 years
Location: Gurgaon
E-mail: meghna@vinuinfoway.com
Job Code: CJ156984

TMI NETWORK

In 1991, T. Muralidharan started a recruitment agency, TMI (Talent Management International) Network, which is today one of India's top five search & selection agencies. Since then TMI has gone from strength to strength to become India's first and largest recruitment advertising agency with a turnover of 1176 lakhs (2005). With over 134 employees across 5 branches in Pune, Bangalore, Chennai, Hyderabad, Delhi in India, and a subsidiary in Singapore, TMI has over 273 corporate customers in India, UAE, Sultanate of Oman, Mauritius, Bahrain and USA.

ASSOCIATE DOX (DOCUMENTATION)

Company: TMI Network
Job Profile: primarily responsible for supporting business activities undertaken by the specific functions of our client Legal DOX team. Must have a good knowledge of the legal derivatives market/industry related activities and industry standard master agreements such as the ISDA, ISMA & GMLSA.
Experience: Freshers
Location: Hyderabad
Job Code: CJ154445

TECHNICAL MANAGER

Company: TMI Network
Job Profile: Primarily responsible for the SAP package testing team, build competencies in the areas of specialized testing and automation testing in addition to the standard testing practices. Responsible for proposals and presentations for the respective package testing team etc.
Experience: 11-14 years
Location: Bangalore
E-mail: era002@tminetwork.com
Job Code: CJ153200

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  Company: The Human Capital
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  Experience: 6-10 years
  Location: Bangalore
  Job Code: CJ158315

- **DFT LEAD**
  Company: The Human Capital
  Job Profile: DFT, ASIC, VLSI, "Chip Design", SoC, RTL, "IDDQ Vectors", "Memory BIST", Charecterization, "product verification", "silicon bring-up", HDL, Synopsys.
  Experience: 6-10 years
  Location: Bangalore
  Job Code: CJ158322

- **MANAGER - FPGA DEVELOPMENT**
  Company: Catapult Info Solutions Pvt. Ltd
  Job Profile: Technical and administrative leadership of FPGA development team, individual will take the responsibility of scoping.
  Experience: 10+ years
  Location: Gurgaon
  E-mail: ankit@catapult-info.com
  Job Code: CJ159753

- **MANAGER- BOARD DESIGN**
  Company: Catapult Info Solutions Pvt. Ltd
  Job Profile: Technical and administrative leader of board design & development team, responsible for new product architecture and specifications, scoping the level of efforts etc.
  Experience: 10+ years
  Location: Gurgaon
  E-mail: ankit@catapult-info.com
  Job Code: CJ159754

- **SENIOR TESTING ENGINEER**
  Company: Xoriant Solutions Pvt Ltd
  Job Profile: Must know winruner, test director, load runner, QTP, automation, manual, test scripts.
  Experience: 4-7 years
  Location: Mumbai
  E-mail: poonam.thakker@xoriant.com
  Job Code: CJ137448

- **JAVA DEVELOPERS**
  Company: Xoriant Solutions Pvt Ltd
  Job Profile: Working on Core Java , JSP, Servlets, Oracle and willing to work on new technologies like Struts, Swing, Hibernate, JBOSS, XML.
  Experience: 3-5 years
  Location: Mumbai/Navi Mumbai/Thane
  E-mail: poonam.thakker@xoriant.com
  Job Code: CJ137450

- **UNIX ADMINISTRATOR**
  Company: Accenture Services pvt. ltd.
  Job Profile: Must possess SVM and/or VxVM on Solaris, LVM on AIX/HP, knowledge of Backup and Recovery NBU or TSM, Shell/Perl Scripting, exposure to NAS & SAN.
  Experience: 4-8 years
  Location: Bangalore
  Job Code: CJ157265

- **S2 INFOTECH LTD**
  Company: SAP ABAP HR Team/Tech
  Job Profile: Handling a team of minimum 8 developers, development, technical specifications, test planning and testing, functional/technical, design review, code reviews & walk through, CMMi/ISO 9000 compliance.
  Experience: 7+ years
  Location: Chennai
  E-mail: preeti.singh@s2infotech.com
  Job Code: CJ158447

- **SIEBEL TECH LEAD**
  Company: Agilience Infotech
  Job Profile: Must know Siebel EAI/EIM, scripting, workflows, server administration, good communication skills.
  Experience: 1-5 years
  Location: Bangalore
  Job Code: CJ158230

- **TECHNICAL SUPPORT ASSOCIATE**
  Company: Wipro Technologies
  Job Profile: Answer ACD calls and access customers' technical support needs and handle/route accordingly.
  Experience: 0-1 years
  Location: Delhi
  Job Code: CJ159360

- **SOFTWARE QUALITY HEAD**
  Company: Acculogix Inc
  Job Profile: CMMI Level Exp CMMI Implementation Exp ISO 9001:2000 Exp Six Sigma is an added advantage.
  Experience: 7-8 years
  Location: Bangalore
  E-mail: rupa.acculogix@gmail.com
  Job Code: CJ159055

- **SOFTWARE TEST ENGINEER**
  Company: Spica Software Services
  Job Profile: Sound knowledge of QTP, loadrunner, winrunner, testdirector capable of performing defect tracking. Manual & automated testing.
  Experience: 0-3 years
  Location: Bangalore
  E-mail: info@spicasoftware.com
  Job Code: CJ158690

- **PROJECT MANAGER**
  Company: Axis Consultancy
  Job Profile: Should be able to handle documentum based projects on his own. Should be able to manage a team of 10+. He should be a technical expert in document.
  Experience: 7-10 years
  Location: Chennai
  E-mail: sivakumar@axisconsultancy.co.in
  Job Code: CJ159123

- **ORACLE DBA UNIX**
  Company: Askexim Services Private Limited
  Job Profile: Good exposure as an Oracle DBA, must have working experience on UNIX platform, should have worked on production support.
  Experience: 4-7 years
  Location: Noida, Bangalore, Chennai, Pune, Mumbai
  Job Code: CJ153841

- **TANDEM-COBOL DEVELOPERS**
  Company: Askexim Services Private Limited
  Job Profile: Must know Cobol 85, Scobol, Sql, Sql MR, Pathway, Inspect, Enscribe Analysis, design & coding in Tandem/ HP Non Stop based application.
  Experience: 2-7 years
  Location: Pune/Bangalore
  Job Code: CJ156996

- **SAP ABAP CONSULTANT**
  Company: PES Global Private Limited
  Job Profile: Should have worked on Interfaces, scripts, smartforms, user exits. Experience on

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ALE/IDOC can be an added.
Experience: 2-5 years
Location: Mumbai
E-mail: resumes@pesglobal.in
Job Code: CJ151127

- **MANAGER IT APPLICATIONS**
Company: PES Global Private Limited
Job Profile: Must know IT Applications, C#.NET, ASP.NET, VB.NET, MSSQL.
Experience: 3-7 years
Location: Mumbai
E-mail: resumes@pesglobal.in
Job Code: CJ151126

- **TECH LEAD - JAVA**
Company: The Plus Consulting
Job Profile: Able to lead a team of programmers, to develop and deploy dynamic object oriented web applications, articulate module level workflow and specification for the projects.
Experience: 3-5 years
Location: Chennai
E-mail: saravanan@theplusconsulting.com
Job Code: CJ158973

- **TECH LEAD.NET TECHNOLOGIES**
Company: The Plus Consulting
Job Profile: Able to lead a team of programmers, to develop and deploy dynamic object oriented web applications, articulate module level workflow and specification for the projects.
Experience: 3-5 years
Location: Chennai
E-mail: saravanan@theplusconsulting.com
Job Code: CJ158974

- **COGNOS PROFESSIONALS**
Company: Exclusive Search Recruitment
Job Profile: Candidate should have at least worked on Cognos for 2 projects.
Experience: 3-8 years
Location: Chennai, Gurgaon
Job Code: CJ159060

- **SR UI/USER INTERFACE DESIGNER**
Company: Exclusive Search Recruitment
Job Profile: Solid information, interaction, and visual design skills experience creating site architecture diagrams, wireframes, process flows & usability studies.
Experience: 8-15 years
Location: Bangalore
E-mail: anita@exclusivesearch.com
Job Code: CJ159642

- **QA ENGINEER**
Company: Ekartha (I) Pvt Ltd.
Job Profile: Solid experience in Windows 95/98/NT/2000 platforms is required, as is knowledge of automation tools. Programming experience in Java or C++ is essential.
Experience: 2-3 years
Location: Pune
Job Code: CJ136258

- **MAINFRAME TESTERS**
Company: Shristi Consultants
Job Profile: Working knowledge in COBOL, CICS, VSAM, JCL, PROCS about three years and more in mainframes.
Experience: 2-6 years
Location: Hyderabad
E-mail: itrvs@shristiconsultants.net
Job Code: CJ159723

- **GRAPHIC DESIGNER**
Company: Trinity Human Resource Consultants
Job Profile: Developing innovative designs for various advertising and promotional material for various brands of the company.
Experience: 1-3 years
Location: Mumbai, Bangalore
Job Code: CJ159589

- **ARCHITECT-J2ME**
Company: Sumeru Soft Pvt Ltd
Job Profile: Must know J2ME, Architect, Telecom, OSS, BREW
Experience: 5-15 years
Location: Bangalore
E-mail: peter@sumerusoft.com
Job Code: CJ156689

- **SE/SSE/TL - JAVA**
Company: Prolific Integrated Software Services
Job Profile: Experience in JAVA, OOPS, multithreading required.
Experience: 2-9 years
Location: Chennai
E-mail: patrick@prolificiss.com
Job Code: CJ159733

- **NETWORKING - CCIES**
Company: Altech star solution
Job Profile: Must have a good experience/ knowledge in MPLS, DCN, OSPF and IP telephony technologies.
Experience: 5-10 years
Location: Abu Dhabi
E-mail: careers@altechindia.com
Job Code: CJ159039

- **NETWORKING - IMPLEMENTATION ENGINEERS**
Company: Altech Star Solution
Job Profile: Must handle network implementation activities for our customers in the Middle East.
Experience: 5-8 years
Location: Abu Dhabi
E-mail: careers@altechindia.com
Job Code: CJ159040

- **SOFTWARE ENGINEER (TESTING)**
Company: Cavium Networks Pvt Ltd
Job Profile: Develop and contribute to the test strategy, test plans and test execution for a development project; plan the test beds & configuring.
Experience: 2-3 years
Location: Hyderabad
Job Code: CJ159697

- **SENIOR TEAM LEADER**
Company: mynichejobs
Job Profile: Product enhancement, expert on J2EE, lead a team, co-ordinate with overseas clients.
Experience: 6-10 years
Location: Chennai
E-mail: bank@mynichejobs.com
Job Code: CJ157108

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JOBS IN FINANCE

- **GENERAL MANAGER-ACCOUNTS**
  Company: Arun Selvan Logistics Pvt Ltd.
  Job Profile: Handle independently accounts and finance department/team across locations. Preferably from logistics background and familiarity with laws, rules and regulations across country.
  Experience: 5-6 years
  Location: Bangalore
  E-mail: hr@aslindia.com
  Job Code: CJ155643

- **CORPORATE FINANCE MANAGER**
  Company: PES Global Private Limited
  Job Profile: Should be good in finance, funding, projections, forecasting, ratios, balance sheet analysis, mergers, acquisitions, SEBI regulations, etc.
  Experience: 5-9 years
  Location: Mumbai
  E-mail: resumes@pesglobal.in
  Job Code: CJ151141

- **AVP- FINANCE AND ACCOUNTS**
  Company: Wipro Technologies
  Job Profile: Accounts, operations. Develop strategy for identifying processes that can be off shored-existing and new.
  Experience: 10-12 years
  Location: Chennai
  Job Code: CJ159364

- **ACCOUNTANT**
  Company: Twinkle Job Consultancy
  Job Profile: Should know Tally. Would be incharge of finance.
  Experience: 0-1 years
  Location: Bangalore
  Job Code: CJ158009

- **MANAGER ACCOUNTS**
  Company: Essar Global Services
  Job Profile: Person should have thorough knowledge of accounts and capable of implementing accounting systems.
  Experience: 1-2 years
  Location: Hyderabad
  Job Code: CJ156727

- **MANAGER-FINANCE & ACCOUNTS**
  Company: Shubh Lakshmi Placement Services
  Job Profile: Position for a reputed dealership of cars. Shall be the head of finance & accounts reporting to Director.
  Experience: 10-12 years
  Location: Faridabad
  Job Code: CJ158504

- **ACCOUNT ASSISTANT**
  Company: Kosmic Rays HR Solution Pvt Ltd
  Job Profile: Candidate must have good knowledge of Tally.
  Experience: 1-8 years
  Location: Mumbai
  E-mail: anjali@kosmicrays.com
  Job Code: CJ158605

- **SENIOR RISK ANALYST-CONTROLS AND RISK MONITORING**
  Company: Resource Access Management Solutions Pvt
  Job Profile: The role will involve close tracking of OR profiles received from various countries/group on a monthly basis and also involve tracking of gaps in controls on a yearly basis.
  Experience: 2-6 years
  Location: Chennai
  E-mail: balaji@ramsol.co.in
  Job Code: CJ158610

- **ACCOUNTS EXECUTIVE**
  Company: Saluja CAD Consultancy
  Job Profile: Should have a good knowledge of computers/Tally. knowledge of taxation sales, service TDS, VAT shall be an added advantage.
  Experience: 2-18 years
  Location: Gurgaon, Delhi, Faridabad, Noida
  E-mail: hksaluja@vsnl.com
  Job Code: CJ159138

- **SR MANAGER-FINANCE**
  Company: Kids Media India Pvt Ltd
  Job Profile: Role of a financial controller, should have thorough knowledge of compliance issues for the television & media industry.
  Experience: 5-10 years
  Location: Mumbai
  E-mail: india@spacetoongroup.com
  Job Code: CJ153782

- **FINANCIAL PLANNING & ANALYSIS**
  Company: Corporate Consultancy Services Pvt Ltd
  Job Profile: Must be a CA. Would be involved in reviewing every deal on financial and commercial aspects etc.
  Experience: 3-5 years
  Location: Bangalore
  E-mail: rk@ccspl.net
  Job Code: CJ159058

- **DEPUTY MANAGER-PAYROLL**
  Company: Windows Consultants
  Job Profile: Payroll processing, income tax computation.
  Experience: 4-5 years
  Location: Delhi
  E-mail: careers@windowsindia.net
  Job Code: CJ156733

- **IPO RESEARCH**
  Company: Growth Map International
  Job Profile: Portfolio management, knowledge of stock market, IPO.
  Experience: 3-6 years
  Location: Mumbai
  E-mail: avinash@vcgconsulting.net
  Job Code: CJ157904

- **FINANCE MARKETING EXECUTIVES**
  Company: Needs & Solutions
  Job Profile: Team leaders & marketing executives work, for personal loans and housing loans.
  Experience: 0-3 years
  Location: Bangalore
  Job Code: CJ118934

- **ACCOUNTS EXECUTIVE**
  Company: GNG Group
  Job Profile: Good Knowledge of accountancy and latest version of Tally.
  Experience: 0-5 years
  Location: Gurgaon
  E-mail: careers@gnggroup.com
  Job Code: CJ104020

- **CHARTERED ACCOUNTANTS**
  Company: Immigration4australia.com
  Job Profile: Chartered Accountant
  Experience: 3-18 years
  Location: Cavan, Dublin, Kerry, Westmeath
  Job Code: CJ133831

- **JR. ACCOUNTANT**
  Company: Evolution Corporate Solutions
  Job Profile: To have experience in Tally, preparation of balance sheet, to prepare TDS statement, to prepare sales tax return and deposit them on monthly basis etc.

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Experience: 0-3 years
Location: Bangalore
E-mail: mraaj007@gmail.com
Job Code: CJ140308

- **ACCOUNTANT**
  Company: Evolution Corporate Solutions
  Job Profile: Must be skilled in accounts, stock, management, Tally, balance sheet, TDS, challans, bills.
  Experience: 0-2 years
  Location: Bangalore
  E-mail: placements@inbox.com
  Job Code: CJ141883

- **ASSISTANT MANAGER - ACCOUNTS**
  Company: Hitech Placements
  Job Profile: Handling complete accounts, income tax, service tax, TDS, payroll, audit, etc upto finalization.
  Experience: 5-7 years
  Location: Chennai
  E-mail: cv@hitechmanpower.com
  Job Code: CJ159852

- **GENERAL MANAGER-FINANCE/ ACCOUNTS**
  Company: Personnel Network
  Job Profile: Responsible for controlling all finance/commercial/accounts functions of plant at Ludhiana. Will control team of 20-25 persons.
  Experience: 12-18 years
  Location: Ludhiana
  E-mail: engg.pn@spectranet.com
  Job Code: CJ159857

- **MANAGER-FINANCE**
  Company: Trinity Human Resource Consultants
  Job Profile: To head the accounts & finance activities at factory at Jigni and handle other finance related matters like audit, taxation, customs, excise, etc & MIS related matters.
  Experience: 2-7 years
  Location: Bangalore
  E-mail: trinity.career@gmail.com
  Job Code: CJ157446

- **ASSISTANT MANAGER-FINANCE**
  Company: GNG Group
  Job Profile: Candidate will work with top management in introducing systems and processes that will help in attaining short term and long term financial goals of the company.
  Experience: 3-8 years
  Location: Gurgaon
  E-mail: careers@gnggroup.com
  Job Code: CJ152247

- **EXECUTIVE ACCOUNTS & LOGISTICS**
  Company: Client of Mangalam
  Job Profile: Maintaining & projecting the site imprest requirement at regular interval. Submitting a clear accounting statement periodically etc.
  Experience: 2-4 years
  Location: Bhadrak
  E-mail: chini@mangalamjobs.com
  Job Code: CJ159768

- **HEAD FINANCE**
  Company: Client of Mangalam
  Job Profile: Responsible for all financial & fiscal management aspects of company operations. Provide leadership and coordination in the administrative, business planning, accounting etc.
  Experience: 10-12 years
  Location: Mumbai
  E-mail: sindhu@mangalamjobs.com
  Job Code: CJ159653

- **VP/HEAD RISK MANAGEMENT**
  Company: Client of Mangalam
  Job Profile: Track and identify market and operational risks. Formulate appropriate risk management policies, assess suitability and technical feasibility of new products/ commodities.
  Experience: 10-18 years
  Location: Mumbai
  E-mail: divya.v@mangalamjobs.com
  Job Code: CJ159616

- **ASSISTANT MANAGER-COSTING**
  Company: Hitech Placements
  Job Profile: Must have hands on experience in managing accounting, financial planning and analysis.
  Experience: 3-5 years
  Location: Bangalore
  E-mail: hr@hitechmanpower.com
  Job Code: CJ159352

- **SENIOR AUDIT MANAGER**
  Company: Seaways Shipping Limited
  Job Profile: The person will lead the internal audit team; plan and execute comprehensive audit of all group companies/branches and submit audit report as per schedule.
  Experience: 7-12 years
  Location: Hyderabad, Secundrabad
  Job Code: CJ151164

- **MANAGER-ACCOUNTING**
  Company: Needs & Solutions
  Job Profile: All round knowledge of all acts/laws, food network with accounts, finance industry.
  Experience: 7-12 years
  Location: Bangalore
  Job Code: CJ118959

- **ACCOUNTANT**
  Company: Lexygen
  Job Profile: Maintaining books of accounts, preparation of periodical reports, and MIS, statutory compliances like TDS Returns, IT filing, TDS remittances, liasioning with bankers/vendors.
  Experience: 3+ years
  Location: Bangalore
  Job Code: CJ159587

- **ACCOUNTANT**
  Company: Laser Telesystems Pvt Ltd
  Job Profile: Require commerce graduate with sound knowledge of Tally, income tax, sales tax, PT and up to finalization.
  Experience: 1-5 years
  Location: Mumbai
  E-mail: nileshshah@lasertelesys.com
  Job Code: CJ159409

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JOBS IN SALES

- **MANAGER-BUSINESS DEVELOPMENT**
  Company: World Entertainment Workx Pvt Ltd
  Job Profile: Responsible for getting business in Delhi and should be familiar with Delhi Ad agencies and corporates.
  Experience: 5+ years
  Location: Delhi
  Job Code: CJ152940

- **BUSINESS MANAGER-FINANCIAL SERVICES**
  Company: HCL Technologies
  Job Profile: Develop and implement a marketing program for the financial services vertical (IT and BPO) and working with all departments to execute the plan.
  Experience: 5-7 years
  Location: Bangalore
  E-mail: daniel.manuel@hcl.in
  Job Code: CJ156998

- **BUSINESS SOLUTIONS CONSULTANT**
  Company: HCL Technologies
  Job Profile: Will be responsible for end-to-end strategy for the product/proposition, defining the roadmap, positioning and pricing strategies for the product/proposition.
  Experience: 5+ years
  Location: Bangalore
  E-mail: daniel.manuel@hcl.in
  Job Code: CJ157000

- **MARKETING-HOTELS, CLUBS**
  Company: Country Club (India) Ltd.
  Job Profile: Invites marketing professionals for its new renovated star club in Mumbai.
  Experience: 1-20 years
  Location: Mumbai/Navi Mumbai/Thane
  E-mail: cbzhaveri@countryclubmail.com
  Job Code: CJ144310

- **BUSINESS DEVELOPMENT EXECUTIVE**
  Company: Country Club (India) Ltd.
  Job Profile: Must possess exclusive Inter-personal communication skills, be a front header, goal player, with an edge in strategic planning.
  Experience: 1-15 years
  Location: Pune
  E-mail: cbzhaveri@countryclubmail.com
  Job Code: CJ156979

- **SALES ENGINEER**
  Company: Invensys India Pvt Ltd
  Job Profile: Must have experience in selling plate heat exchangers/shell and tube heat exchangers in the process, chemical, power, dairy, food and allied sectors.
  Experience: 3-7 years
  Location: Pune
  Job Code: CJ159010

- **MANAGER - SALES**
  Company: Client of Mangalam
  Job Profile: Heading the online sales team for their respective locations, set up the team of associates & senior associates, achieve personal as well as team targets. The product would consist of equity, commodities & derivatives.
  Experience: 3-8 years
  Location: Kolkata, Chennai
  E-mail: janvi@mangalamjobs.com
  Job Code: CJ158936

- **HEAD (BUSINESS DEVELOPMENT DEPT)**
  Company: Client of Mangalam
  Job Profile: Position for a leading manufacturing/ electrical products company. Should have knowledge of wire, cable and switchgear.
  Experience: 8-9 years
  Location: Mumbai
  E-mail: neha@mangalamjobs.com
  Job Code: CJ158678

- **SALES MANAGER**
  Company: Team Interface Corporate Services
  Job Profile: Responsible in enrolling insurance advisors and establishing the network. Conduct promotional activities to build the brand equity and brand awareness towards the company.
  Experience: 3-8 years
  Location: Hyderabad
  Job Code: CJ158578

- **SR. EXECUTIVE-SALES & BUSINESS DEVELOPMENT**
  Company: Kids Media India Pvt Ltd
  Job Profile: Liaison with different television channels & content procurers across India, handling various company products for sales & development, sales & collection.
  Experience: 1-4 years
  Location: Mumbai
  E-mail: india@spacetoongroup.com
  Job Code: CJ153778

- **MANAGER-SALES & BUSINESS DEVELOPMENT**
  Company: Kids Media India Pvt Ltd
  Job Profile: Primarily responsible for new business development and maintaining existing accounts for syndication sales and marketing solution.
  Experience: 3-10 years
  Location: Mumbai
  E-mail: india@spacetoongroup.com
  Job Code: CJ153775

- **KEY ACCOUNT MANAGER**
  Company: PES Global Private Limited
  Job Profile: Manage telecom partner regionally. Proactive account management of existing customer, identification of growth opportunities; Increase usage & up sell.
  Experience: 2-4 years
  Location: Mumbai
  E-mail: resumes@pesglobal.in
  Job Code: CJ151173

- **CENTRE HEAD**
  Company: PES Global Private Limited
  Job Profile: Center Head for a premium chain of computer training institute. Will be responsible for overall management/operations of the centre, student's satisfaction, placement of the students & achievement of the sales.
  Experience: 4-6 years
  Location: Pune
  E-mail: resumes@protechexecutive.com
  Job Code: CJ158564

- **SALES MANAGER**
  Company: Teaq Technologies
  Job Profile: Should have knowledge of software from banking and financial industry, IT sales, techno sales, software sales.
  Experience: 2-5 years
  Location: Chennai, Bangalore, Hyderabad
  Job Code: CJ151850

- **BRANCH MANAGER-FINANCIAL SERVICES**
  Company: Actinum Technologies Pvt Ltd
  Job Profile: Handling a branch. Drive sales managers to achieve targets. Plan and execute strategies to drive up sales figures.
  Experience: 2-5 years
  Location: Chennai
  Job Code: CJ155098

- **RELATIONSHIP MANAGER: RETAIL BANKING**
  Company: Actinum Technologies Pvt Ltd
  Job Profile: Achieve sales target by driving a

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team of 15 members to generate and close leads. Assist team members with field sales calls as and when required.
Experience: 3-4 years
Location: Chennai
Job Code: CJ155097

- **MANAGER SALES-SOFTWARE PRODUCTS**
Company: mynichejobs
Job Profile: For an MNC, sales of ERP/CRM/SCM/other business intelligence software solutions to corporate clients in India.
Experience: 5-10 years
Location: Chennai
E-mail: bank@nichejobs.in
Job Code: CJ159617

- **TERRITORY MANAGER/SALES MANAGER**
Company: mynichejobs
Job Profile: Should handle key accounts and will be responsible for developing business in the given region.
Experience: 5-15 years
Location: Chennai
E-mail: bank@mynichejobs.com
Job Code: CJ153735

- **AGM**
Company: Seaways Shipping Limited
Job Profile: Develop freight forwarding business of air/sea cargo, develop new markets, diversify the client base, be responsible for recoveries and ensure profitable deals. Also business development.
Experience: 7-15 years
Location: Mumbai, Kolkata, Bangalore
E-mail: careers@seawaysindia.com
Job Code: CJ151178

- **MANAGER: LIFE INSURANCE**
Company: BP INCORPORATE
Job Profile: To review performance of own team of financial consultants and improve their productivity, provide leadership and management to the team.
Experience: 2-7 years
Location: Ghaziabad, Agra
E-mail: aj.bpinc@gmail.com
Job Code: CJ159084

- **ASST MANAGERS-LEAD GENERATION (BUSINESS DEVELOPMENT)**
Company: Vision Consultants
Job Profile: Represent the organization in key external business relationships with major clients and joint venture partners; study and understand the international market for BPO services.
Experience: 5-7 years
Location: Mumbai
E-mail: viz_consultants@yahoo.co.in
Job Code: CJ159102

- **B2B CORPORATE SALES EXECUTIVES**
Company: Marcus Evans India Pvt Ltd
Job Profile: Candidate must have good communication & negotiationskills.
Experience: 0-5 years
Location: Delhi, Mumbai
E-mail: saching@marcusevansin.com
Job Code: CJ158585

- **INSIDE SENIOR SALES**
Company: Agilience Infotech
Job Profile: Inside sales experience preferably in BFSI domain. Excellent communications skills knowledge and experience incold calling/tele-selling to international market-US/Europe.
Experience: 5-7 years
Location: Bangalore
Job Code: CJ158227

- **BRANCH MANAGER**
Company: Ideal Placement & Consultants (P) Ltd.
Job Profile: Lead a team of 20 to 35 individuals for a reputed online ad agency.
Experience: 4-8 years
Location: Hyderabad
E-mail: hr.engg@idealconsultants.com
Job Code: CJ159656

- **BUSINESS DEVELOPMENT EXECUTIVE-TELESALES**
Company: Ideal Placement & Consultants (P) Ltd.
Job Profile: Female candidate preferred. Sell company online advertising solutions to small & medium business (SMB) clients.
Experience: 6 Months-4 years
Location: Hyderabad
E-mail: hr.adm3@idealconsultants.com
Job Code: CJ159614

- **SENIOR EXECUTIVE ENGINEER-SALES COORDINATION**
Company: Growth Map International
Job Profile: Co-ordination with customers and companies internal departments, drawing submission/approval, despatch clearance.
Experience: 3-10 years
Location: Mumbai
E-mail: ramya@vcgcosulting.net
Job Code: CJ159116

- **TERRITORY MANAGER/SALES MANAGER**
Company: Hitech Placements
Job Profile: Incremental portfolio growth through managed customer retention and acquisition, set financial objectives vis-s-vis budgets.
Experience: 2-3 years
Location: Mumbai, Chennai
E-mail: manpower@hitechmanpower.com
Job Code: CJ152698

- **UNIT MANAGER**
Company: Aspen Consultancy
Job Profile: Bringing new business for the company, team management.
Experience: 2-4 years
Location: Mumbai
E-mail: info@aspenconsultancy.net
Job Code: CJ158552

- **DY. MANAGER- MARKETING**
Company: Needs & Solutions
Job Profile: Company is a leader in the field of wind power generation. Candidate must have experience in the sales of capital goods.
Experience: 6-9 years
Location: Bangalore, Dharwad, Mysore
Job Code: CJ118540

- **CONSULTANT (PROJECT LEADER)**
Company: Needs & Solutions
Job Profile: Involved in projects where you will be assisting Swedish companies develop their business activities in India. Experience in sales in the telecomm or automotive industry will have an advantage.
Experience: 7-15 years
Location: Bangalore
Job Code: CJ136628

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JOBS IN MARKETING & COMMUNICATIONS

- **CAMPAIGN MANAGEMENT**
  Company: Accenture Services Pvt. Ltd.
  Job Profile: Understand marketing brief and capability to design and develop a campaign using the tool specified or raw SQL scripts.
  Experience: 1-8 years
  Location: Delhi, Bangalore
  Job Code: CJ159536

- **ART DIRECTOR/GROUP HEAD-CREATIVE**
  Company: Talent Corner HR Services Pvt Ltd
  Job Profile: Produce leading edge creative work for our clients-websites, user interfaces, e-marketing collateral and multimedia.
  Experience: 4-8 years
  Location: Mumbai
  E-mail: alok.shah@tcmail.co.in
  Job Code: CJ159714

- **SR. PROGRAM MANAGER, INTERACTIVE, WEB**
  Company: Talent Corner HR Services Pvt Ltd
  Job Profile: Managing interactive marketing campaigns and projects (web site development, online marketing and advertising, multimedia development).
  Experience: 3-4 years
  Location: Mumbai
  Job Code: CJ159716

- **SUB EDITOR**
  Company: Talent Corner HR Services Pvt Ltd
  Job Profile: Tracking, researching, collating, writing, compiling and sub-editing news/articles concerned with specific industry.
  Experience: 1-3 years
  Location: Mumbai
  E-mail: vishwakarma.anil@hotmail.co.in
  Job Code: CJ159729

- **ART DIRECTOR/GROUP HEAD-CREATIVE (WEB)**
  Company: Talent Corner HR Services Pvt Ltd
  Job Profile: You will be responsible for creative work across a group of clients. Produce leading edge creative work for our client's websites, user interfaces, e-marketing collateral, multimedia
  Experience: 4-8 years
  Location: Mumbai
  E-mail: alok.shah@tcmail.co.in
  Job Code: CJ156719

- **MULTIMEDIA, GRAPHIC AND CONTENT DEVELOPMENT**
  Company: Live Connections
  Job Profile: Individual will be primarily responsible for creating multimedia presentations/calculators, support web-related activities and is expected to contribute towards content development as well.
  Experience: 3-8 years
  Location: Chennai
  Job Code: CJ157930

- **VP CORPORATE COMMUNICATIONS**
  Company: Mascon Global Limited
  Job Profile: Corporate communications, public relation. Plan, design and develop company's communication strategies to internal and external stakeholders etc.
  Experience: 10+ years
  Location: Delhi
  Job Code: CJ157458

- **CORPORATE REPORTER**
  Company: Free Press Journal Newspaper
  Job Profile: Must have experience in corporate reporting. Should be passionate about writing & about the world of business. Should be well informed about finance, management and marketing
  Experience: 0-2 years
  Location: Mumbai
  Job Code: CJ152044

- **B2B CORPORATE SALES EXECUTIVES**
  Company: Marcus Evans India Pvt Ltd
  Job Profile: Chance to be a working on event sponsorship & business partnerships, congress - exhibition vendor and attendee sales; business conference promotion and sales; professional training delegate acquisition.
  Experience: 0-5 years
  Location: Delhi, Mumbai
  E-mail: sheetalp@marcusevansin.com
  Job Code: CJ156088

- **SR. CREATIVE DIRECTOR-ADVERTISING AGENCY**
  Company: Client of Cucumber Consultants
  Job Profile: Must possess excellent design, conceptualization and communication skills. Capacity to see a project through, from concept to completion. Capacity to lead a team.
  Experience: 8-20 years
  Location: Hyderabad
  E-mail: jobs@cucumberconsultants.com
  Job Code: CJ154686

- **BRAND MARKETING EXECUTIVE**
  Company: Winorwin Consulting
  Job Profile: To promote the product's brand with the existing & new clients & creating new avenues for business promotions.
  Experience: 0-2 years
  Location: Chennai
  E-mail: winorwin@gmail.com
  Job Code: CJ158450

- **ASST MARKETING MANAGER**
  Company: FAR N PAR
  Job Profile: Marketing in logistics/supply chain.
  Experience: 4-8 years
  Location: Mumbai
  E-mail: fnphyd@farnparindia.com
  Job Code: CJ157666

- **MANAGER INTERNET MARKETING**
  Company: Windows Consultants
  Job Profile: Should have excellent experience in web marketing, expertise in content writing on the portals, relationship with ad agencies and marketing organizations. Should have worked on brand managements and event management.
  Experience: 9-10 years
  Location: Delhi
  E-mail: careers@windowsindia.net
  Job Code: CJ156737

- **MARKETING/MR/MEDIA PLANNING**
  Company: OK Placements
  Job Profile: Candidate has to visit corporate hospitals hotels and other MNC's to introduce the uniform clothing dress code and other apparels.
  Experience: 0-3 years
  Location: Hyderabad
  Job Code: CJ156370

- **PR EXECUTIVE**
  Company: Trinity Human Resource Consultants
  Job Profile: Strategizing & planning of all PR related activities, content development, regular disbursement of press releases, positioning papers, arranging press conferences, press meets, promotional activities, creating high media visibility.
  Experience: 2-5 years
  Location: Bangalore
  Job Code: CJ155787

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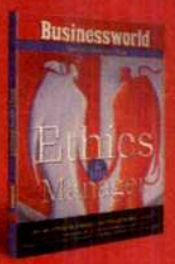

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BROWSING

Alok Ohrie

MD, AMD India

I am reading **WINNING IN FAST TIME** by Leland A. Russell and John A. Warden III. This book summarises some basic yet powerful concepts that can help direct your energies towards achieving your 'dream'.

I try reading a mix of books — from management concepts to light fiction — as it helps me keep my mind fresh.

The best way to buy books is from a bookstore because that's when you enjoy the complete experience. Only that it turns out to be pleasurably expensive as you tend to pick up many more books then. I have a circle of friends with whom I exchange recommendations for the next buy. ■

ALERT

Measuring The World

By Daniel Kehlmann (Quercus)

This is an unlikely cast for a bestseller. One is an aristocrat, a naturalist and explorer, and the other a mathematical genius born in poverty, a man who can run prime numbers in his head but cannot live without women. These two brilliant young Germans set out to measure the world and, thus, begins a charming tale set in the 18th century. Daniel Kehlmann's German novel comes in a delightful English translation by Carol Brown Janeway, who captures the humour and the new zeitgeist of German literature excellently. ■

The simple

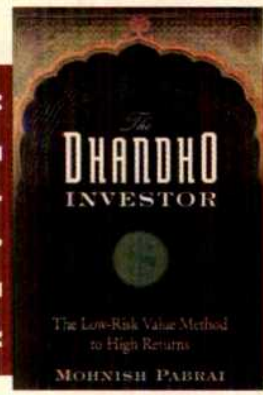
SRIKANTH SRINIVAS

LEGENDARY investor T. Rowe Price once defined an investment philosophy as being a system of general beliefs about how investment funds should be managed. Most people, he observed, do not think theirs out clearly, choosing to buy stocks that are popular at the time, regardless of whether their choices are best suited to their needs. His own investment philosophy: maintain the purchasing power of income with the minimal loss of principal during periods of adversity.

Nothing much has changed in investor behaviour since the 1950s, when he first articulated those thoughts. We just have different names for it these days, and a wide variety of books that try and offer some guidance in formulating such a philosophy. Leafing through one of the latest, Mohnish Pabrai's *The Dhandho Investor*, one is struck by the incongruity of the application of the concept of *dhandho* in a world dominated by a plethora of portfolio theories and ideas that comprise the dizzying number of current investment philosophies.

As his book points out, *dhandho* is a Gujarati word that is more at home on the streets of Mumbai than in the pages of a book. Pabrai is a great fan of Warren Buffett and his partner Charlie Munger of the investment firm Berkshire Hathaway. He has even dedicated his book to them. The book pays homage to Buffett's investment philosophy, which Pabrai overlays with references to Hindu philosophy drawn from the epic poem, the *Mahabharata*. Dispensing with the standard risk-reward paradigm, Pabrai focuses instead on a low-

REVIEW



THE DHANDHO INVESTOR

The Low-Risk Value Method to High Returns

By Mohnish Pabrai

John Wiley & Sons

Pages: 196

Price: $27.95

SELECTION

Skip this

MEN wanted for Hazardous Journey. Small wages, bitter cold, long months of complete darkness, constant danger, safe return doubtful. Honour and recognition in case of success." This extraordinary advertisement appeared in various London newspapers way back in 1913. It was put out by Sir Ernest Shackleton, the famous polar explorer, calling volunteers for his upcoming South Pole expedition. Shackleton had hoped to attract 50 inquiries. He received 5,000.

If such brusque language in an advertisement worked wonders in the early 1900s, it can very well work today, too, says management maven Steve Cone in *Steal These Ideas!*. According to Cone, for an advertisement to make an impact or a marketing campaign to succeed, they should have the three basic ingredients that Shackleton's 26-word copy so beautifully coalesced: excitement, news value and a compelling call to action.

This slim book (just 180 pages) is a collection of tips and tricks on marketing, advertising and brand management. It is a relief that the author does not pretend at all to offer any 'new' theories as such. Cone's observations are sharp and his narration is pithy. But, alas, there ends the virtues of the book. In this age of multi-media and real-time communication, it is unlikely marketing managers will take to tips on direct mails.

way to *dhandho*

MOHNISH PABRAI is the managing partner of Pabrai Investment funds, an investment group modelled after the original 1950s Buffett Partnerships. He appears on TV and radio shows

risk high-return approach. In his words: "Heads you win, tails you don't lose much." Drawing on examples ranging from Indian migrants — including his grandfather and sundry relatives — to Richard Branson and Laxmi Mittal, Pabrai outlines an approach to investing that is more strategy than philosophy. He uses their examples and draws on some of his own experience in laying down the foundations of his investment style. The investment principles he enunciates are not exactly new: Focus on existing businesses, buy simple businesses that change slowly, buy distressed businesses in distressed industries, and buy those with a durable competitive advantage.

Pabrai goes on to suggest that investors should bet when the odds are overwhelmingly in their favour to take advantage of arbitrage and the presence of big discounts to intrinsic values, and look for low-risk businesses in conditions of high uncertainty.

That's the *dhandho* framework. Not rocket science, you might say, but that is the whole point. In the 1930s, the Cowles Institution — now the Cowles Foundation for Economic Research at Yale University — studied the results of systems for stock selection in vogue and concluded that the fruits of success in all but one were no better than tossing a coin. There is nothing exotic about Pabrai's approach, and one might even be tempted to think of it as old hat.

The book makes a point of underscoring his love for the Warren Buffett school of thought. In a 2002 article, he cites the Omaha Oracle's strategy of "sitting on my butt" for extended periods of time. "We don't get paid for activity; we get paid for getting it right," as Buffett pointed out. In today's world of very bright and articulate investment managers and experts, it is easy to fall under the spell of their brilliance in analysis and extending logical extrapolation; often, it also draws attention away from the sometimes mistaken assumptions on which their reasoning is based. That's what *The Best And The Brightest* — the geniuses of the 1960s of whom Robert MacNamara was one — are about in David Halberstam's book. It's why the emperor went without clothes for several days. The book is happily free of equations, formulae and other mathematical techniques. Pabrai uses a simple style of illustration by narrative that goes well with the homely nature of the idea of *dhandho:* success comes from either a long holding of an interest in a successful enterprise or from having adequate cash when bargains are available. In other words, Pabrai's investment theory — if you can call it that — is completely unglamorous.

If your interest is in hitting the jackpot, or in identifying those stocks that will get you rich quickly, buy another book. What comes through strongly in this one is that building wealth — *dhandho* — is a long-term process. All of Pabrai's examples share that common thread: they are stories of men who built their fortunes, following through innovative thinking and ideas, from the Patels who now run half of all the motels in the US through Richard Branson to Laxmi Mittal. Pabrai is a successful investor himself; from managing $1 million in assets in 1999, he now manages $218 million. That's some *dhandho.* ■

at your peril

STEAL THESE IDEAS!

Marketing secrets

By Steve Cone

Viva

Pages: 180

Price: Rs 175

'Excitement' is the decisive factor in a campaign, says Cone. To buttress this point further, he offers the real-life example of his own father who discreetly wrote promotional direct mail letters for *Playboy* magazine.

The letters, smartly written from the perspective of a Playboy Bunny, splashed with pictures of her in full regalia (!), were a big hit with potential subscribers. Understandably, Cone doesn't try to enlighten us — whether it was the content of the letter or the revealing pictures that worked.

The author also gives a few interesting anecdotes from his past stints in companies such as Fidelity. But surprisingly, there is none from Citigroup Global Wealth Management, where he is managing director and head of advertising and brand management.

There is another interesting example of the legendary anti-establishment journalist Hunter S. Thompson who wrote threatening letters to the subscribers of Rolling Stone magazine, where he was managing editor.

Thompson's letter demanded subscribers renew their subscriptions, stating that the magazine was his only legitimate source of income and if they didn't, he would be thrown into utter despair... To boot, on the outside of the envelope he wrote in bold letters "I KNOW WHERE YOU LIVE".

Such attention-generating strategies might leave a lingering bitter taste in the minds of recipients but it works unfailingly — like the offensive heading of this review, which conned you into reading the piece. ■

T.K. VINEETH

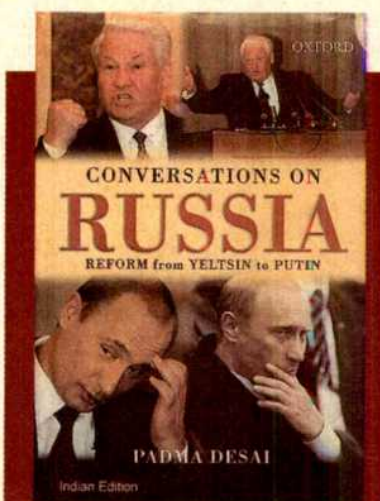
Neo-Bolshevik reforms and after

Padma Desai traces Russia's evolution from a communist state to a market economy through discussions with key players in the Yeltsin era and examines what went wrong with the reforms

WHEN Mikhail Gorbachev became general secretary of the Communist Party of the Soviet Union (CPSU) in March 1985, he faced daunting challenges from three directions. He had inherited an economy in crisis, a restive and costly East-Central Europe under Soviet control, and the Soviet state at home held together by an authoritarian ideology enforced from Moscow by the CPSU. By the time he resigned as president of the Soviet Union on December 25, 1991, East Central Europe had slipped away from Moscow's grip, and the Soviet Union had been dissolved as well. It was officially divided into separate, independent states.

In January 1992 Boris Yeltsin assumed charge as the first president of the Russian Federation, the successor state. His primary goals were to end the authoritarian Communist political system and the planned economy — not to reform them, but to finish them. To accomplish this goal, as Yeltsin later recalled in an incisive October 2003 interview published in *Moscow News*, "What was needed was a kamikaze crew that would step into the line of fire and forge ahead, however strong the general discontent might be... I had to pick a team that would go up in flames but remain in history."

Yeltsin's reformers clearly achieved their goal of ending the authoritarian political arrangements and the economic management in the style of Soviet Communism before they went up in flames. By the end of 1993, Russia had a federal constitution, an elected president as the head of state, parliamentary elections, an active electronic media, and a lively press. At the same time, its firms were no longer state owned; its people could own property and businesses, travel freely, and choose jobs; its government relied on taxes for collecting revenue; and its currency was traded on foreign-exchange markets.



CONVERSATIONS ON RUSSIA
Reform from Yeltsin to Putin
By Padma Desai
Oxford University Press
Pages:383; Price: Rs 595

However, controversy over Yeltsin's economic reforms and political changes has raged ever since. With every disappointment or failure that Russia has experienced since 1992, questions arise as to whether a different path of political and economic reform might have worked better.

Yeltsin's reformers, however, were so successful in ending the old economic and political patterns of state control that Yeltsin began to be concerned about whether the government could exercise its legitimate powers effectively — especially in a country as vast as Russia with ostensible federal arrangements. His decision to anoint Vladimir Putin as his successor in late 1999 demonstrated his acute unease over the breakdown of political cohesion and the urgency of restoring stability in Russia. "He (Putin) is not a maximalist, and this is what set him apart from the others." Yeltsin responded in the October 2003 interview when questioned about his choice. Predictably, Putin set about the task of consolidating state authority and restoring order following his election as president in April 2000, which in turn prompted concerns as to whether Russia's nascent democracy was being undermined.

Given the number of claims, about what Yeltsin's reformers should have done and whether Putin is undemocratic, even autocratic, it is useful to find out what the Yeltsin reformers and Putin policy makers were actually thinking and doing. Thus, I undertook an interview project with key participants in Russia's reforms from 1999 to early 2005.

REUTERS

ON THE EDGE: The unstable political scenario in Russia has left the people struggling with pervasive shortages and an uncertain future

I also interviewed US policy formulators and analysts from the Reagan and Clinton administrations with a view to eliciting their judgments on Russia's political and economic issues. The interviews, with appropriate questions to members of both groups, went beyond economic issues and political changes to discuss Russian foreign policy, history, society, and demography.

Social Order Under The Planned System

In the final years of Brezhnev's leadership, the Soviet Union was by all accounts going downhill. The decay was visible on all fronts. While economists cited the declining growth rate of the economy as a surefire index of the malaise, other concentrated on recurring shortages, increasing corruption, and massive alienation.

The pervasive shortages gave a bizarre flavour to people's daily lives. Because the economy was over-planned and over-administered, the invisible hand of the market was nowhere to be seen. Since the production targets were handed down from above, what was produced had little relation to what was in demand. The economy was characterized by the paradox of accumulated inventories and persistent shortages. "the whole country is covered with blast furnaces," an exasperated friend told David Shipler of the *New York Times*, "but I can't get a table knife. "Shortages bred disaffection. There was not much point in working hard if one could not spend the money on a colour TV or a dishwasher. The Soviet social contract was aptly described as "they pretend to pay us, and we pretend to work for them."

Shortages bred corruption, too. The have-nots had to grease the palms of the haves — in the Soviet case, the party members who could procure almost anything in short supply: a Moscow apartment, an attractive job, a place for a child in a prestigious school, a better hospital for a sick relative (but at a price). Furthermore, there was nothing more alienating for the masses than the knowledge that those in power were corrupt. The legitimacy of the rulers — of the party in general and above all of the socialist system – became suspect. Life in the Soviet Union was so disheartening that it prompted this wry witticism: Religion comforts the masses by assuring them that there is life after death, whereas Communism does so by assuring them that there is death after life.

The dismantling of the Communist economic structures, needless to say, brought its own trail of corruption and alienation. The breadlines disappeared, but the price increases, the massive nonpayment of wages following unsettled government and enterprise finances and the capture of the prized economic assets by a few oligarchs contributed to alienation among the impoverished masses. According to Rogov, Yeltsin's overwhelming public support in 1991 disappeared over time, as the economic reforms imposed high costs on ordinary Russians: "There were enormous expectations. People came out by the thousands in the streets of Moscow, demanding immediate and fundamental changes. Later, people felt that they had been betrayed and manipulated by the government. There was frustration followed by societal fragmentation. Since the expectations were so high, the let down was massive, too. Most Russians today (mid 2003) do not think they can do anything to bring about a positive turnaround. They have plainly retreated into a do-nothing pessimism. They do not believe he government wants to help them...Russians have retreated into their homes, their family fortresses. Don't bother us. Leave us alone, they are saying.

As for corruption, the rules of the game were to change as the planned economy disintegrated. In the old days, factory managers had created ingenious safety devices and informal adjustment mechanisms involving one another and the party bosses in order to fulfil the output targets the planners handed down to them. Managers

UNDER CONTROL: Former Yukos boss Mikhail Khodorkovsky was convicted for fraud and jailed for 10 years

AFP

REUTERS

'Oligarchs were a force against the Communists'

ANATOLY Chubais, former minister of privatization and first deputy prime minister in the Yeltsin government, is currently CEO of United Energy Systems (UES), Russia's giant electric power company, and one of the leaders of the Union of Right Forces (SPS), Russia's leading reform party. Known as the neo-Bolshevik privatizer, Chubais explains his political philosophy to Desai.

■ *You are a very committed believer in the market economy. How did your commitment start?*

■ My belief in the market economy has a long history. It began long before the market economy started in Russia. I graduated from the St. Petersburg engineering economics school. It was clear to me that the Soviet economy was in terrible shape and was headed toward disaster. It was difficult to find reasonable answers for the situation in the Soviet economy. Articles in textbooks and scientific journals discussed different ideas without clearly understanding them or how an economy worked. I had a clear understanding myself, and I found several people in St. Petersburg in the mid-eighties and later who had similar views. We got to work, started finding books that were forbidden in the Soviet Union, and established contacts with Western economists, that were also practically forbidden at that time.

■ *There is a view here that almost all of the USAID (US Agency for International Development) funding was given to the group of reformers Chubais led and that the fund givers from this end did not seek out other groups and encourage pluralism in Russia. You must be aware of this. How would you react to it?*

■ You know, that is a very simple question. When we started in November 1989, we had a team consisting of 15, maximum 20, people. We were the only

padded their requirements of materials and built raw material inventories so that they could fight the uncertainties and delays of the state procurement system and continue receiving their bonuses. They hired special operatives (tolkachi) who could be dispatched on a business trip (komandirovka) to Moscow with appropriate blessings: "Go to Moscow, my boy. All our hopes depend on you. They used special connections and reciprocated favors via illicit economic activity (blat) by exchanging products and services. A tractor factory would change its product assortment plan and produce pots and pans, which could be exchanged in profitable blat operations.

The factory managers employing blat and tolkachi perhaps contributed to the "efficiency" of the planned economy by greasing its wheels. Their networking system put them at the forefront of vast economic fortunes as old economic rules and entrenched party discipline began faltering under Gorbachev's liberating initiatives. At the same time, socialist commitments bordering on submissiveness and sought to redefine the party's monolithic, all-pervasive role in the country's economic and political life. For anyone with potentially lucrative ties in the right places, it became open season to start making deals. Communist Party functionaries, factory managers, KGB operatives, Red Army generals, and budding entrepreneurs with vast money-making ambitions bought materials, metals and oil at the prevailing fixed prices, exported them at higher world prices, and deposited the foreign exchange in offshore banks. They stripped factories and sold the assets or used them for private gain. With cash at their command, a few managed to buy the country's prized resources in the oil and metals sectors that were put up for privatization. The earlier Soviet-era corruption among the privileged few and the alienation of the masses paled before the brazen wantonness of Russia's nouveaux riches and the apathetic cynicism of the many who were left behind. As the economic structures crumbled, so did the Soviet political system and ultimately the Communist Party of the Russian Federation, successor to the CPSU.

Shock Therapy Reforms

The key policy choices aimed at ending the Communist policies of economic planning were well known: decontrolling prices from their administered levels; slashing the inordinately high budget deficit. Privatizing the state-owned means of production; and opening the economy via foreign trade and capital account liberalization under a unified, market-determined ruble. The question facing the Yeltsin reformers was whether to undertake these goals gradually

team in the country who could discuss — and not just discuss but also make — changes.

■ *Private ownership promotes economic efficiency via incentives, but that was not your primary motive. The decision to issue vouchers to every man, woman, and child, worth 10,000 rubles each, was a populist measure. It was a huge political gambit that pushed the reform momentum forward and kept it alive.*

■ Yes I think it was clear from the very beginning that a simple and transparent means of privatization did not exist. So some would gain and others would lose. A number of people would be unsatisfied with the outcome, but the fundamental problem was, will it happen or not? From an economic point of view, voucher privatization — the voucher itself was not the best way to achieve privatization. More to the point, it was clear that the voucher was a substitute for money, and if you issue a voucher, you will not get money from privatization by selling state properties, but that was the price.

■ *But you don't think that, as a result of this strategy, you brought into being Russia's oligarchs as powerful lobbies? Also, in the spring of 1998, Sergei Kiryienko, the young reformist prime minister, was batting the left wing of the Duma, which was led by the communists, and the oligarchs on the right.*

■ Well, let us understand that the oligarchs are a big private Russian business with both positive and negative features they bring to Russia. The fact is that this private business was the major political resource for preventing Communist leader Gennady Zyuganov from becoming president in 1996. They were mainly younger people who were attracting hundreds of thousands of new employees in their companies while restructuring them, which began with Norilsk Nickel and Yukos, the oil company. That is the economic side of the story. At the same time, they became powerful and wanted to use their power according to their understanding of the political situation. The presidential election of June 1996 raised the question of Yeltsin or Zyuganov, and they said Yeltsin. However, in the nextphase they thought they ruled the world and could do everything. So there are positive and negative sides to the story. ■

and incrementally or in a quick and sweeping manner that became known as "shock therapy"

The argument in favor of shock therapy is that, during a time of extraordinary political upheaval, broad changes are politically possible and the public is more willing to endure the pain of higher prices and economic dislocation. By contrast, slow paced reforms that wait for a political consensus can prolong the resulting costs and dislocations well after politics has turned "ordinary," giving opponents of reform a chance to regroup and counterattack — with the result that reforms may never actually occur. Poland took the shock therapy approach to economic reform in 1989, seizing a window of opportunity that opened up after a decade of political struggle with the Polish Communist regime under the Solidarity banner and the country's liberation from the Soviet Bloc. Yeltsin's reformers expected the collapse of the Soviet Union and the launching of the Russian Federation in 1992 to open a window at least for a short time, for extensive reform. The economic decisions therefore had to be rapid-fire.

The shock therapy policy framework articulated by its prominent advocate, Jeffrey Sachs, included the following elements. Prices are freed, while an abrupt tightening of the money supply accompanied by large cuts in government borrowing from the central bank serves as a shield against inflation, the exchange rate is pegged to the dollar or some other hard currency, and massive amounts of foreign aid are marshaled to support the stabilization effort. Defenders of the "big bang" tactics also emphasize that privatization is essential, even while acknowledging that it is complex and almost necessarily slow.

When Yegor Gaidar launched the shock therapy economic reforms on January 2, 1992, he had hoped that presidential decrees backed by Yeltsin's personal authority would prevail over parliamentary recalcitrance. Prices were freed by decree. Gaidar then presented the Supreme Soviet with proposals that called for eliminating the budget deficit by the end of first quarter of 1992- a very aggressive step, given that Russia's budget deficit in 1991 had been 17% of GDP, according to IMF estimates. The proposed cuts in defense outlays, state-financed investments, and subsidies to consumers and industry were Soviet-style fiats: There had been no consultations with Parliament or the people, and there was no strategy of seeking a steady political majority with the Supreme Soviet, which was roughly divided into three equal factions: Communists, reformists, and an unsteady middle group that could float in either direction. The escalating rift between the government and the Supreme Soviet ended with a bang in October 1993, when troops loyal to Yeltsin stormed a group of diehard members who had barricaded themselves in the parliament building in Moscow rather than comply with the president's order to disband. ■

PADMA DESAI is professor of comparative economic systems and director of the Center for Transition Economies at Columbia University. She has published extensively in professional journals on issues of economic planning in the Soviet Union and has written several books on economic reforms in Russia. Her previous book was *Financial Crisis, Contagion and Containment: From Asia to Argentina*

Excerpted with permission from Oxford University Press

Shooting their mouths

POLITICIANS generally consider it impolitic to blurt out what is in their hearts, but sometimes their caution is overwhelmed, their hearts burst, and strange utterances spill out. Even amongst unwise speeches, however, Shankarsinh Vaghela's address to Maharashtra Cotton Conference in Akola last week must take the cake. He said that farmers of both Gujarat and Maharashtra sat around chewing tobacco, but that Gujarati farmers then went off to their fields, whereas Maharashtrian farmers — well, they just chewed tobacco. This statement is so shocking in these Anbumanian times that Dr Ramadoss should immediately march off Mr Vaghela to a dungeon full of smokers. And if there is any truth in what Mr Vaghela said, then Dr Ramadoss is not doing his job. Maharashtrian farmers at least confine their dirty tobacco spit to their homes or their immediate neighbourhood; Gujarati farmers unload it in their farms, poisoning millions of snails. Dr Ramadoss must instantly put Gujarati farmers under house arrest.

In the ruckus over the textile minister's statement, it has almost been forgotten that the Prime Minister's view is somewhat different from his. Dr Manmohan Singh went to Vidarbha after the publicised suicides and announced in July 2006 that his government would give a subsidy to the farmers not to commit suicide. Apparently, Rs 3,750 crore has already been handed out. Economists would point out the perversity of the incentive the Prime Minister is giving. Ideally, the subsidy should have gone only to farmers who were on the point of committing suicide. But there is no way of identifying them until they actually kill themselves; and then it is too late. If they were asked, all farmers would say they were about to commit suicide, just to get a subsidy. A Maharashtra government survey of Vidarbha farmers found that three-quarters were in distress and a quarter in severe distress. When the government was offering debt relief, did it expect the farmers to say they did not need it? With so many claimants, only a fraction of them would have got the aid given out. Presumably, they were chosen on more solid criteria, such as their services to the Congress or their political influence.

Vilasrao Deshmukh, the chief minister of Maharashtra, said in the same Akola conference that a million farmers got interest waiver in the six districts of Vidarbha this year. But that, too, was wrong, according to him; he said that writing off loans was not a remedy for suicides. If Mr Deshmukh had contradicted Indira Gandhi when she was PM, she would have promptly summoned him and pulled his ears before sending him off into the wilderness. For opposing her, she sent the entire opposition to jail.

That is not the style of the current Prime Minister. It reflects favourably on Dr Manmohan Singh that he does not send anyone to jail, or even pull anyone up for differing with him. Ever since Mrs Gandhi's time, the Congress has been known as a party of sycophants who lick the boots of the supreme commander and do all their politicking behind the curtain. Vaghela's and Deshmukh's insubordinate utterances, perhaps, herald a new era in the history of the Congress, when public debate will be allowed and decisions will be arrived at after open discussion instead of by consensus. If this is the message the Prime Minister wishes to send, we would wish all power to him.

The textile minister's views on Vidarbha suicides are no worse informed than the Prime Minister's; both need more solid information

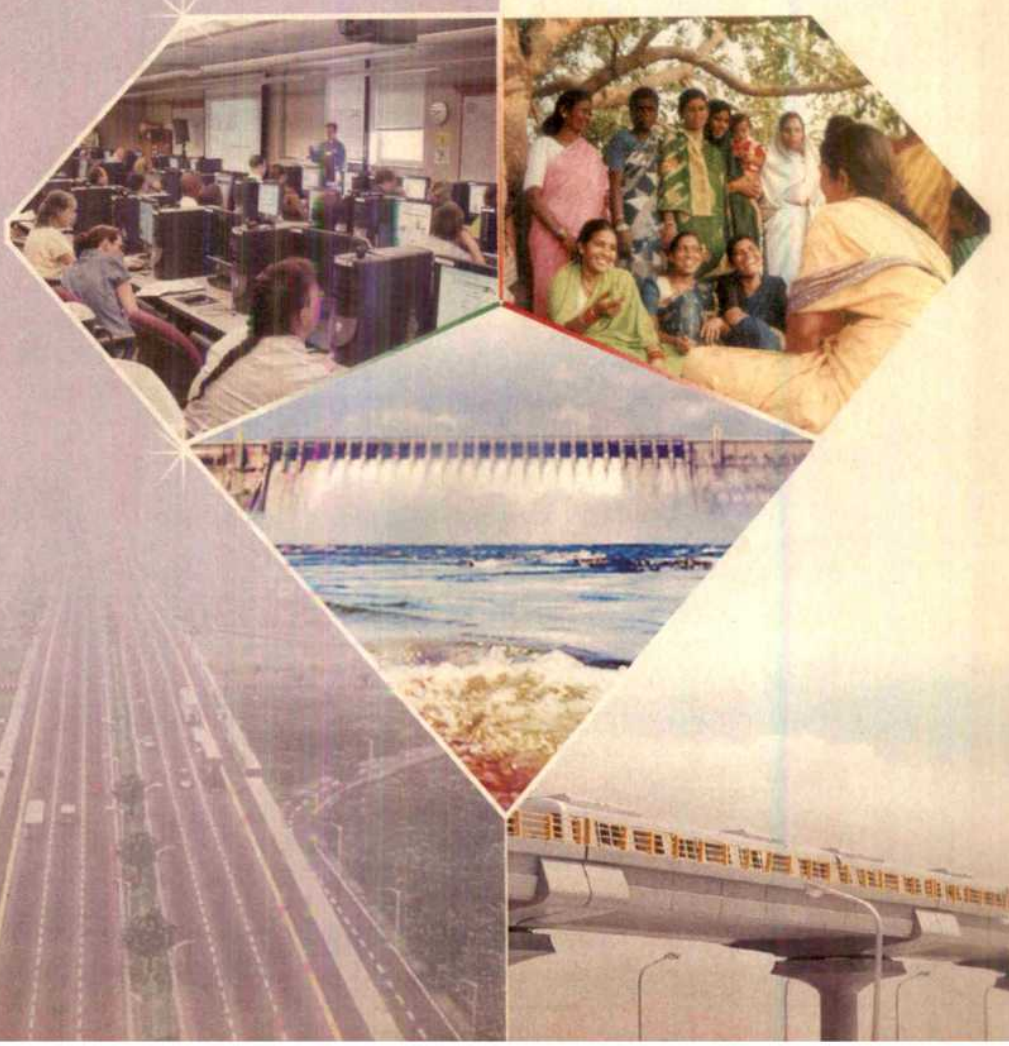
PTI

However, debate without reliable information does no good. Vaghela obviously is sore that industrious Gujarati farmers pay taxes and lazy farmers across the border in Maharashtra get a subsidy. The injustice would be even greater if, as an Indian Express survey showed, most of the Vidarbha suicides had nothing to do with failed crops or cotton. The newspaper's sample was too small. But every suicide is recorded by district collectors; and they would collect more information if asked. Their records should be examined to see the real reasons behind suicides. They may have more to do with dowries required for daughters than with cotton.

Farmers' indebtedness in Vidarbha has drawn the attention and concern of the government since the 1870s. Waivers and subsidies have been given time and again without any permanent results. It may be that farming in Vidarbha is too risky. If so, farmers should not be taking on debt. They need measures to reduce risk: for instance, crop insurance or forward markets. It may be that their farms are too small and their resources too meagre to take the risks, in which case they need to do something other than farming. As population grew and farms shrank in size, millions had left farming and taken up paid labour, whether in agriculture or outside. We need more productive employment, and not more Vidarbha cotton. ■

UNVEILING A NEW ERA

Andhra Pradesh



Jalayagnam.
A boon for farmers.
A gift for life.

Jalayagnam.

The vision - to make Andhra Pradesh, the 'Rice Bowl of India,' the most prosperous State of the Country.
The aim - to make Jalayagnam the vehicle to steer the State's water resources in the right direction to create wealth and livelihood opportunities for millions. The architect - Dr. YS Rajasekhara Reddy, the man who dares to dream different.

Jalayagnam - Highlights

- Investment - A Rs. 130,000 crore initiative to enrich one crore acres of land
- Chief objective - To construct 35 major & 17 medium irrigation projects
- Projects in operation - Vamsadhara, Janjhavati, Tadipudi, Pushkara, SRSP - Phase II, Madhava Reddy, Guru Raghavendra, Brahmam Sagar...
- Engineering prowess - Permanent solution for strengthening bunds along River Godavari
- Land irrigated - 1200,000 acres
- Plan for 2008 - 2010 - To bring 2400,000 acres of land under irrigation
- People focus - Country's best and most equitable rehabilitation and reconstruction policy

Andhra Pradesh's thrust on irrigation and the evident increase in farm incomes and livelihood opportunities have made it an exempli gratia for other states to emulate

Yesterday's dream...Today's reality...Jalayagnam

Issued by the Information and Public Relations Dept.

History in the Making

Andhra Pradesh is on the threshold of a major infrastructure revolution, which will place it as a choicest hub in the Asian continent and a global destination for setting up IT, BT and manufacturing industries. The dynamic and visionary chief minister Dr YS Rajasekhara Reddy has struck a balance between agricultural promotion and industrial infrastructure management to provide the state the much needed fillip to emerge as a sought after location on the east coast of India. "Nothing, not even the designs of terrorists and political obscurantists can stop us from achieving our goal of 'Heritu Andhra Pradesh', which is economic growth and balanced development of all regions and reforms with a human face," says the Chief Minister in an interview with The Telegraph New Initiatives team. Excerpts:

Which are the growth engines of your 3-1/2 years regime in Andhra Pradesh?

I must say that I have been extremely fortunate to have been provided an opportunity by the people to lead the State at an appropriate moment and save it from the brink of collapse on the agriculture and industrial fronts. It took us several months to infuse confidence in the bureaucracy and lay down a new roadmap to trigger agricultural activity and also balance it with an infrastructural policy to promote growth and development of all regions and sections of the society, and alter the course of partisan promotion set forth by the Telugu Desam Government in the past.

How would you describe your tenure—satisfactory or lacking?

As I told you earlier, I am happy that I could bring the State back on the rails of development. We focused on how to resurrect the agriculture scenario where farmers were driven to suicides for lack of patronisation and huge debts. We did not ignore the industry and social welfare

sector but brought them also under the vertex of the all-round growth policy framework.

Your government is described as farmer-friendly. Did you focus on agriculture deliberately or was it the need of the hour?

It is both. We needed to save the farmer and also the agriculture sector, which provides food to the entire nation. I had gathered a first hand account of their travails during my 1400-km-long padayatra across the State in 2003.

We waived their farm power dues to the tune of Rs 1,200 crore, gave a special package for reviving activity, which included compensation to farmer families where the head had committed suicide, brought moratorium on debts from private money lenders and banks. On top of these, we laid a roadmap to provide water and power to fields as subsidised inputs—free power and irrigation works (*Jalayagnam*). We also launched a massive programme of taking scientists to fields to enlighten farmers on lucrative farming methods and supply quality seeds and other inputs on subsidy.

My government has a balanced approach towards agriculture, industry, IT and the social welfare sectors. We believe in providing level-playing field to each sector

All these activities have paid good dividends. The number of farmers' suicides has reduced drastically. The State is today one of the top food grain producers in the country, yielding over 120 lakh tonnes last year and we are poised to break the record this year also. What is more, even the rain god (*Varuna*) has been kind to us such that there has not been a drought in Andhra Pradesh since I took over in May 2004.

There is a campaign that the free power and other sops are a drain on the economy. Has it come in the way of funding your development activities?

There is absolutely no truth in such a campaign. It is motivated by political parties like the TDP who are jealous of our achievements and also our progress.

Let me give you some statistics. For the first time, we have received approvals for a State budget of over Rs 30,500 crore and our allocations to all sectors exceed Rs 81,483 crore. If you recall, the TDP Government, led by Mr Chandrababu Naidu, used to rush to the Centre (the Reserve Bank of India) every alternate day to avail the overdraft (OD) facility,

But we are not borrowing for running the State or for paying salaries. For that matter, since May 2004, Andhra Pradesh has not sought any ways and means (overdrafts) grants from the Centre even once. Of the total budget allocations, we are spending over Rs 30,000 on capital expenditure and hardly 46 per cent on establishment. I must say that our financial management is far better, constructive and productive.

The free power initiative for the agriculture sector has been much debated as a negative growth factor and a burden on the exchequer. Is that so?

Free power to the agriculture sector, i.e. 25 lakh pump sets (now 27 lakh) began in 2004 as a redemption of our poll commitment to the debt strapped and suicide-driven farmers so as to ensure their return to agricultural activity. The initiative was a well-thought out measure provided as an input subsidy to farmers in the plains and upland areas lacking irrigation infrastructure and providing them with a level-playing field.

Our initiative has achieved the dual purpose of promoting agricultural activity—increased food grain production and also containing farmer's suicides. The State Government's approach has also been lauded and supported by the Centre in providing various subsidies in other forms to promote irrigation and infrastructure.

The free power concept has cost us thousands of crores, but has been worth it. The initiative has not made our power utility defunct as is being contended by our opponents in Telugu Desam. Instead it has made the APTRANSCO stronger, efficient, capable and also growing. So much so, that due to our strategic operations in reducing T&D losses, and arrears collection, the Andhra government has been able to successfully operate without any hike in power tariff for domestic consumers for the third consecutive year. Our performance may have come as a startling one to the TDP president, Chandrababu Naidu, who had predicted that after introduction of the free power scheme for the agriculture sector, the power lines all over the State would become defunct and good for nothing—just useful as clotheslines.

The TDP criticism against your government includes negligence of IT and industry in your drive towards

being a farmer-friendly state. Is it true?

We are proud to be a farmer-friendly State. But that is not just the goal. We have lakhs of educated youth who need employment and everyone cannot be sent to the fields.

For the first time, only this government started with a three-pronged strategy of achieving sustainable and simultaneous progress in rural development, IT and industry, and social welfare. You can see the outcome that the efforts are paying good dividends.

In fact, my Government has made a conscious decision for promoting employment generation activities. We have launched a massive programme to complete 51 irrigation projects with an outlay of Rs 1.30 lakh crore to water an additional one crore acres by the end of this decade. Secondly we are sincerely pursuing infrastructure projects all over the State for construction of roads, express highways, ports, greenfield airport and special economic zones for textiles, IT, leather and pharma industries.

The city of Hyderabad will have the country's first international airport with private partnership near Shamshabad, which will be ready for commercial activity in March 2008. Gangavaram port on the east coast, which is being developed on the PPP mode will also be ready soon. Within a matter of two years, all infrastructural projects will generate jobs for lakhs of educated youth. Already, most of them have found placement in the ongoing projects.

How is the IT sector doing now?

My reply is that it is 'booming'. We have all top MNCs operating from Hyderabad. We have already recorded software exports of Rs 20,000 crore and I am confident that we will cross the Rs 25,000 crore ($5-billion mark) by the next fiscal and come closer to the record of Bangalore.

After all we are nascent promoters in IT compared to Bangalore but our infrastructural advances and measures have attracted almost every one.

We have a rich talent pool emerging from out of 280 engineering colleges. To make them industry friendly, we are providing them training in soft skills through our JKC (Jawahar Knowledge Centres) now being set up in almost every major degree college in the State.

We have several SEZs planned for IT and also IT parks in the private sector. Considering the need for cost effective infrastructure for SMEs in the IT sector, my government also has plans for separate IT parks in the Tier-2 townships of Nalgonda and Mahbubnagar.

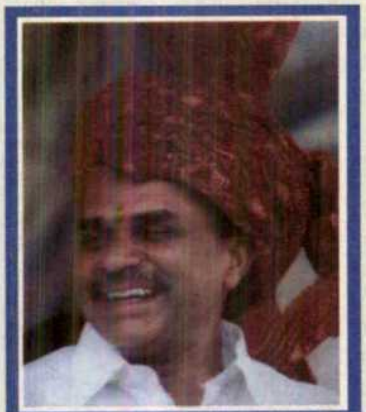
There is a contention that the AP government is promoting privatisation of education. Is it a fact?

My government will not abandon its primary duty of promoting literacy and educating the poorest of the poor.

First of all, we are not promoting privatisation of education but only private partnership to provide quality education through sustainable models. We are taking quality education to rural areas by setting up *Gurukul* type of educational institutions by providing land to corporate sector to manage them but provide education to children from rural areas free of cost.

The government will bear the cost of their education from 6th standard to SSLC. The private sector will be allowed to admit 25 per cent of students on fee basis while the rest will be on common entrance exams conducted by the State Government.

We also have a roadmap to invest Rs 30,000 crore over the next six years for modernisation of infrastructure of educational institutions—school buildings, equipment and also hiking salaries of teachers and to train them in latest teaching technologies and methods .



Agriculture activity has revived and the State is today one of the leading foodgrain producers in the country, with output being a record 120 lakh tonnes last year, which we are poised to break this year also

You might have noticed that this government has succeeded in encouraging quality education providers like BITS, Pilani and other foreign universities to set up campus in the State. We have also succeeded in convincing the Union Government to grant an ITI for the State, which will soon begin operations on the outskirts of Hyderabad. The ITI will provide access to quality education to our students locally and stop their migration to other states in pursuit of higher studies.

What are your government's health initiatives? How are you tackling the menace of dengue, chickengunya and other diseases?

My government is focusing both on preventive and precautionary ini-

tiatives to distance the poor from tribal areas and rural areas from such diseases.

We have launched a major initiative of *Arogyasree*, health insurance for benefiting those living below the poverty line. Nearly 1.80 lakh families, almost 60 per cent of the families living in abject poverty, will benefit with accident benefit hospitalisation in corporate hospitals and surgeries, etc. Besides, my government has made adequate arrangements at all government hospitals and the specialised institutions for providing free of cost treatment to the poor. We have decided to make them pay-hospitals only for the rich and those who can afford to pay.

You must have heard of the State Government's unique initiative to provide succor to poor children with congenital heart ailments. "Operation Little Hearts" has been successfully executed in the State in partnership with corporate hospitals and as on date, 7,000 children from weaker sections and BPL families have been operated. We have also decided to engage private diagnostics units in government hospitals to offer cost effective service to the poor and needy as government institutions cannot bear the huge cost of equipment.

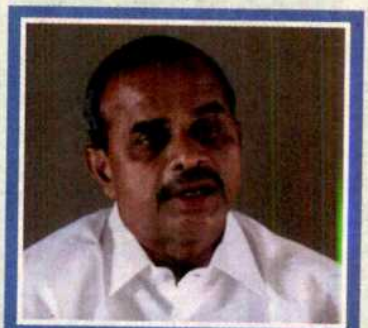
Your government is being attacked by the Left parties for not giving housing plots. Why are you not giving housing plots?

It is a misguided and politically motivated campaign of the Left parties. First of all, we are not denying land to the needy landless poor in villages and towns and cities. The government has distributed over four lakh acres to the landless till now and another two lakhs was distributed on November 1.

Secondly, my government has also taken the lead to ensure that the assigned lands given to landless in the past 30 years but sold away by the poor are also assumed and reallocated to them in towns and villages.

Thirdly, my government has also launched a scheme, Indira Prabha, to ensure that the land allocated to the poor is made cultivable in a phased manner with new technologies, etc.

Fourthly, we have been registering all properties so allotted by the government in the name of the housewife to ensure that she is not denied of dignity and pride of being a owner and also that the men folk do not fritter away the property. Lastly, we are also planning to bring about a legislation to ensure that the land assignees also have right to sell it instead of entering into any clandestine deals with vested interests and get full benefit of their properties.



We are taking quality education to rural areas by setting up Gurukul type of institutions, providing land to the corporate sector in the rural areas to ensure free education

What are the initiatives for women empowerment by your government?

The TDP government exploited the poor women folk of the State for their political designs. The Self Help Groups were used by the party for its campaigns and public meetings. My government did not use them. Instead, it gave them a helping hand to become growth engines and revive economic activity in villages.

We introduced the *Pavala Vaddi* scheme of providing differential interest rate loans to women at only three-four per cent (at one-fourth the interest rate of commercial banks—that is why the name *Pavala Vaddi*. The outcome of this scheme has been tremendous. Women of AP have shown that they are second to none. They have produced handicrafts, home goods, lace works, soft toys and furnishing goods, which have attracted the attention of multinationals and are also exported.

The thrift operation of the SHGs have become trend-setters for the entire nation and several states are following the AP example to bring rural women under the umbrella of SHGs. Now the experiment has been extended to women in urban areas and also among Muslim women. Women groups have been able to successfully procure foodgrains like maize in Andhra Pradesh, which is a major feed for poultry industry.

Inspired by the outcome of *Pavala Vaddi* among women SHGs, the State Government is now considering to extend the scheme among farmers associations, *Rytu Mitras*.

How is your housing programme coming forth?

My State is on the top with its INDIRAMMA (Integrated nodal development in rural and municipal areas) housing programme. We have built over 20 lakh houses for the poorest of the poor in the last three years as against the record of hardly four lakh houses in nine years built by the past TDP government.

Under the INDIRAMMA scheme,

we plan to build a total of 75 lakh homes in the next two years at the rate of 20 lakh houses per year. Besides INDIRAMMA houses for BPL families, we also have launched Rajiv Swagruha scheme for the benefit of middle class families in district towns and cities.

Another significant achievement is that the State Government has earmarked a massive subsidy of over Rs 30,000 crore for the housing programme as each home as a subsidy component of Rs 25,000 rupees. In fact, the core objective of the INDIRAMMA is to develop infrastructure to provide basic civic amenities in villages and district towns to stem migration of poor to cities.

My government has given women a helping hand to become growth engines and revive economic activity in villages. The thrift operation of the SHGs have become trendsetters, and several states are following our example

What is the status on industrial sector? It appears that Volkswagen has gone away and Fab City project is a non-starter.

The Volkswagen AG decided to walk out, as we refused to give them huge subsidies demanded by them. They wanted subsidies to the tune of over Rs 3,000 crore in water, power, sales tax concessions, etc., while they planned to invest only Rs 5,000 crore in their assembly project in the State and provide employment to few hundreds. But we are not out of track and a local vehicle manufacturer with Japanese technology has plans to ground a car and LCV-making plant on the outskirts of Hyderabad. We are confident that the project will roll out by the end of 2008.

There is a view that you have neglected the social welfare sector in the drive for agriculture and IT promotion. What have you got to say?

As I said before, my government has made a balanced approach towards agriculture, industry, IT and the social welfare sectors. We believe in providing level-playing field to each sector to exploit and promote development of the State and provide opportunities for all to prosper on equal footing.

The social welfare sector is a priority for me to deliver most of poll promises made by my party in 2004. We have hiked the number and quantum of pensions to old age, widows, weavers and destitute from a petty Rs 75 to Rs 200 costing the government Rs 861 crore. We have hiked the mess charges in social welfare hostels from Rs 1.50 to Rs 2.50 per student and under the mid-day scheme we are spending Rs 405 crore per annum. The social welfare budget has increased four-fold in 2008 to Rs 4507 crore, including Rs 533.95 crore for BC welfare.

The minorities were neglected during the past TDP regime and were leaning towards the BJP. Have you changed the course now?

The Congress is a secular party and hence we do not believe in religious ostracisation like our predecessors. We have ensured that there is no room for any communal riots even at the height of Ganesh festival and the Muslim brethren could hold their prayers at Mecca Mosque in peace. We have increased budget allocation for minority welfare from Rs 67 crore in the past to Rs 123 crore.

First of all, we have taken up a Rs 2,000 crore programme for upliftment of civic facilities like roads, drinking water, power supply, hospitals, bus service, schools, community halls and IT connectivity in the old city. Come what may, our government is committed to provide 4 per cent reservation to Muslims in education and jobs in spite of legal hurdles placed by our opponents.

We are promoting urdu education by providing mid day meals schemes in the Madarsas also. We have also been organising Muslim women into SHGs to promote economic activity among the BPL families. Already 4500 SHGs have emerged with a corpus of Rs 3.11 crore and a revolving fund of Rs 10,000.

Last question, Sir. What do say about charges of nepotism and favouritism against you?

My political career of 30 years is an open book. I have been a minister, an MLA and an MP and so far there has not been a single black mark on my public life.

I and my family have suffered a lot due to malicious political campaigns by vested interests, but I have never lost track of my principles and objectives, and never changed my parties or loyalties in spite of bitter vengeance by some.

A Role Model in Free Power

"Andhra Pradesh will be surplus in power by the end of 11th Five-Year Plan" said Union Power Minister Sushil Kumar Shinde while laying the foundation stone for the second phase expansion of Simhadri power generation unit of NTPC at Visakhapatnam in the first week of September 2007.

The Union Minister was commenting on the state of affairs in the power sector in Andhra Pradesh, which has been a leader in power sector reforms. The State took the lead in the early nineties to corporatise the transmission, generation and distribution of power besides promoting private participation in generation.

But the credit for facilitating the last mile delivery to the common man and also to ensure that its benefits reached the needy in the rural areas goes to the dynamic leadership of Chief Minister YS Rajasekhara Reddy. "We have succeeded in taking the benefits of the reforms to the poor in villages," says the Chief Minister.

In addition to free power to the farm sector, the government has initiated several landmark measures which will go a long way in facilitating economic growth. These include free power supply to agricultural and horticultural nurseries to promote social forestry, growth of vegetables, fruit plantations and pungamia and jathropa plantations for bio-diesel.

The state power utility, APTRANSCO (Andhra Pradesh Power Transmission Corporation) has beaten all records in facilitating power supply and also reducing T&D losses to an all-time low of 18 per cent by the end of 2006. "Thanks to the efficient management of the APTRANSCO, we have been successful in not raising power tariff of domestic consumers for the third consequent year," said the Chief Minister.

The history of the nine-year-long TDP regime is full of episodes of atrocities on farmers and domestic consumers (almost two lakh cases were booked against defaulting farmers and domestic consumers) and its hostility towards providing free power to farmers. During the period, power tariff went up twice and four persons were killed in police firing on demonstrators who opposed hikes in tariffs.

TDP president and former chief minister, N Chandrababu Naidu, had said that power lines would become clotheslines, if free power to agriculture was introduced. "There will be such a crisis of power supply in the State that the farmers will curse the Congress for giving them false hopes and promises," Naidu had said in election meetings.

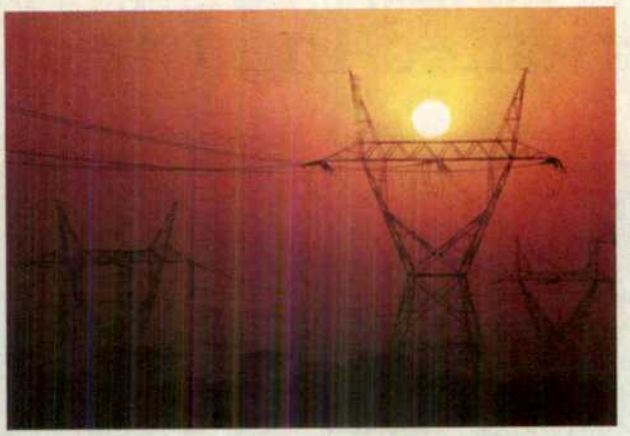
Within a year of the Congress assuming office, the former chief minister had to eat his words. Since then, the free power scheme has been not only the talk of the nation for its successful implementation but also for effectively containing the spiralling number of farmers' suicides and increased agricultural production. Free power today energises over 26 lakh agricultural pumpsets. "Even the rain gods are in agreement with our policy of free power as they have showered bountifully for three years and given the farmers an opportunity to exploit the free power to improve their livelihood and increase food production," says Chief Minister Y S Rajasekhara Reddy.

Thanks to the State Government's efforts at increasing food production, the Union Government has made AP as the leader in its food security mission to generate adequate buffer stock of staple grains to meet eventualities like disasters, floods and droughts.

On the day he took over power on May 14, 2004, Chief Minister YS Rajasekhara Reddy took the landmark decision to waive farmers electricity arrears to the tune of Rs 1,259 crore and also withdrew cases pending against farmers and political workers who agitated against hike in power tariffs during the TDP period.

In spite of financial constraints, the YSR government provided Rs 3,141 crore power subsidy to agricultural sector besides a waiver of Rs 189 crore dues from SC/ST domestic consumers. The Government has also been providing free power to 26 lakh agricultural connections (27 lakh connections as per APERC) and provision for 50,000 new agricultural connections every year.

The number of agricultural pumpsets energised by the TDP was only 21 lakh. Even then, nearly three lakh farmers were harassed and booked for non-payment of huge bills by the Naidu regime in its eagerness



to infuse power reforms at the diktat of the World Bank. The TDP government provided only 11,350 MU of power to agriculture under its subsidised schemes, which burdened the farmers to the tune of over Rs 400 crore annually.

But the Congress Government after the launch of the free power to farmers has been gradually increasing the allotment of more and more power, which as of 2006-07 stood at 13,398 MU and touched the peak of almost 16,550 MU in the year 2007-08 kharif seasons.

Despite huge shortages, the YSR government was firm in its commitment of providing seven hours of supply per day to agriculture sector and the state power utility purchased additional power to the tune of Rs 1,200 crore during the kharif season of 2006 to facilitate standing crops.

The government also negotiated with the IPPs, which had put up power plants and were idling without gas supply to reduce the burden on the State to the tune of Rs 1,200 crore by re-negotiating the PPAs with four of such private gas based power generators.

Massive investment has also been made in infrastructure to facilitate uninterrupted quality power to domestic and industrial sector besides providing quality and regulated free supply to farm sector. Since 2004, Rs 3,339 crore has been spent in strengthening transmission infrastructure and the allocation for the current year 2006-07 is Rs 1,708 crore. "I want to assure that not a single agricultural pump will be without power supply and not a single acre will become dry without water," says Chief Minister YS Rajasekhara Reddy.

The installed capacity of power generation in the State has shot up from 11,106 MW in 2004 to 11,677 MW by 2007. The meterised sales have shot up to 55.63 per cent and the T&D losses have been brought down from 21.42 per cent to 19.7 per cent by 2006. For the first time, APTRANSCO made operating profits of Rs 291 crore.

The subsidy to agriculture sector towards free power supply has risen from Rs 1,929 crore in 2004 to Rs 3,141 crore in 2007. In spite of all the hurdles, the Congress Government has been able to ensure that both power generators and distributors in the state sectors profit by virtue of improving their efficiency in providing quality power and regulation of collection of huge arrears through peaceful means.

The power distribution system and generating units have been geared up to match the annual increase of power demand by 12-14 per cent. In five years, 8,000 MW is slated to be added to the State grid. The Congress government has refocused attention on the power generator–APGENCO–instead of encouraging only private generators like in the TDP regime. Seven projects with a capacity of 3,375 MW are to be completed by 2009.

Under the 11th Plan, a sum of Rs 34, 099 crore has been earmarked for promoting infrastructure in the power sector. The agenda to provide power to 96.31 per cent households including the 76.12 per cent rural homes by the end of March 2007 has already been achieved. By 2009, the aim is to achieve power supply to all, including 14,182 remote households benefiting 37, 99,213 families at a cost of Rs 781.76 crore under the Rajiv Electricification Scheme.

The APGENCO has an installed capacity of 6,761 MW, meeting 50 per cent of total power requirement of Andhra Pradesh. The State Government has been supportive of APGENCO's initiatives to add a 500 MW thermal unit at Kakatiya Thermal power plant and another unit of 500 MW at the Kothagudem Thermal Power plant during the year.

To meet the ever-growing demand for power, the State Government has initiated measures to generate 2,161 MW in 2006-07 and totally add 11,987 MW in the 11th Plan period. APGENCO has plans to add 752 MW of power to the grid by the end of the 11th Plan. During 2006-07, it commissioned one unit of 210 MW of Rayalaseema thermal power project and plans to add 444 MW during 2007-08.

There has been no hike in power tariff for the 1.35 crore domestic consumers in Andhra Pradesh despite the spiraling fuel cost and power purchase cost. AP has joined the club of states having the lowest domestic tariff of Rs 2.30 per unit. It has also staggered tariff to industrial sector from Rs 4.26 to Rs.3.56 per unit in a novel measure to attract investment and promotion of industrial infrastructure. The government has announced 0.75 paise per unit rebate for new industries and Rs 1.00 per unit rebate for food processing industries.

The burden on the exchequer has not deterred the YSR Government from providing concessions to the poorest of the poor even in power consumption. Nearly 13.92 lakh poor domestic users who consume only 15 units of power enjoy a monthly subsidy of Rs 10 under the "single bulb" scheme. The residents of SC/ST colonies and the tribal hamlets also enjoy the benefit of the waiver of power surcharges.

Job-Oriented Industrial Policy

The Andhra Pradesh government is poised to attract huge investments in infrastructure and manufacturing sector in the state with the avowed objective of creating two lakh more job opportunities in the industrial sector in the next two years.

This is not an impossibility in view of the continued industrial buoyancy in Andhra Pradesh prompted by the special incentives and concessions given finance department for the infrastructure and manufacturing sector since 2004.

A recent review of the achievements, targets, mega industries in the pipeline, status of projects for which MoUs have been signed, employment created, etc., revealed the extensive ground works underway in the state. The total projects grounded during 2004-07 was 6,092 as against 5,046 during 2001-04. The total investments during 2004-07 was Rs 10,571 crore as against just Rs 4,524 crore during the TDP rule. The employment created between 2004-07 was 1,28,296 jobs as against 94,691 under the previous regime.

Major industries cleared in the last three in Andhra Pradesh were iron and steel, sponge iron, paper, cotton yarn, cement, ceramics, food processing etc. Small scale industries grounded in the last three years are mainly electrical and electronic goods, food, agro, marine produces, cotton textiles, jute produces, paper, pulp and publishing, leather produces, chemicals including bulk drugs, rubber, plastics, petroleum and coal tar products, non-metallic mineral, basic metals & alloy industries, power generation, etc. These show that the government's concern is not just for big industries but also for revival of sick and SSI units as well.

As of May 2007, large and medium industries attracted a total investment of Rs 8,999 crore, with employment potential of 44,620. Large and medium industries under execution is worth Rs 19,200 crore with employment potential of 38,118. The mega projects at various stages of implementation in the State were worth Rs 78,838 crore with an employment potential of 1,72,901 jobs. Employment created in manufacturing sector during the last three years was 1,19,887 while it was expected to create another 2 lakh jobs in the next two years. Employment likely to be created through SEZs in the next five years including IT/ITES will be around 5,50,000 jobs. The investment subsidy given to industry during 2004-07 is around Rs 6,913.96 crore.

The Congress government received proposals worth Rs 9753.31 crore in 2004-05, Rs 22,312.76 crore in 2005-06 and Rs 29,835.78 crore in 2006-07.

A recent survey by the CII has projected AP as the choicest destination for investment in manufacturing sector with a growth of 10-15 per cent annually. Even the IFC has given top rank to the State for attracting investments in steel, cement, power, spinning industries.

The State Government has promoted the manufacturing sector in a big way by providing concessions in power tariff, land and also labour law relief in the SEZs. Prominent features of its industry policy are:

- Land at concessional rates.
- Provision of water, power and other infrastructure at subsidised rates.
- Liberalised labour regulations to provide for night duties of women labour at call centres and IT sector.
- Training of educated youth in soft skills for easy absorption in IT sector.
- Single window clearances for industrial units
- Exhibitions showcasing opportunities available in AP industrial estates both abroad and in other major cities.

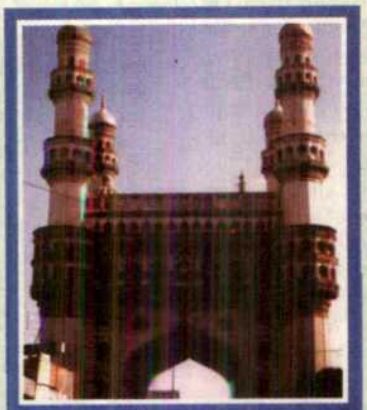
NEW MILESTONES IN INDUSTRY

The UPA government has chosen Andhra Pradesh as choicest destination for industrial investment by MNCs by sanctioning large number of SEZ, including product specific SEZs. In the next three years, 41 mega manufacturing units are slated to be grounded in the State with an investment of Rs 73,645 crore. Prominent among them are:

- **Apache footwear making Adidas brand of shoes.**
- **Brandix of Sri Lanka to set up shop at Visakhapatnam Integrated Apparel Park.**
- **HPCL plans an greenfield refinery cum petrochemicals complex at Kakinada with an investment of Rs 10,000 crore.**
- **Whitefield Paper Mills in West Godavari district**
- **HPCL expansion programme with an investment of Rs 8,875 crore.**
- **Prime Textiles to set up a Rs 600 crore plant at Kanchikacherla near Vijayawada.**
- **AP recorded a 44 per cent increase in industrial exports since 2004**
- **AP has taken initiatives to set up 27 SEZ in Apparel, Footwear, and Pharma sectors.**

Happening Hyderabad

Hyderabad, the fifth largest metropolis of India, is known for its rich history and culture with monuments, mosques, temples, a rich and varied heritage in arts, crafts and dance. Today, it is no more just a city of Nawabs or the Charminar; it is now a hot destination of investors in IT and BT sector. Very recently, it has been upgraded into Greater Hyderabad Municipal Corporation and has been the focal of massive urban infrastructure development programmes to match its pace of growth.



Today, Hyderabad is no more just a city of Nawabs or the Charminar; it is now a hot destination of investors in IT and BT sector, and even drug companies

The Greater Hyderabad Municipal Corporation was formed by merging 12 municipalities and 600 villages around Hyderabad. "I am glad that Hyderabad is the centre of an Rs 26,257 crore (over $5 billion) infrastructure programme, including an international airport, elevated express highway, MRTS, flyovers, Outer ring road, etc.," said Chief Minister YS Rajasekhara Reddy.

Under the JNNRUM the State Government has approved 107 projects estimated at Rs 4,281.29 crore with emphasis on providing equitable civic amenities. Since 2004, the State Government has undertaken a major beautification programme by developing landscaping on the arterial roads and promoting gardens and lakes for recreational purposes.

While the TDP government developed only roads in posh colonies and the IT corridors, the Congress government has taken up massive schemes to provide basic civic amenities in urban slums through APUSP to remove urban poverty. Similarly, the government has also rolled out a special package for the old city of Hyderabad with an estimated outlay of Rs 2,024.65 crore to improve basic facilities over the next three years.

The government has also launched a programme to complete the Krishna river drinking water supply scheme phase-II with an estimated cost of Rs 1,082 crore during 2007, which will add 90 MGD of water thereby enabling daily and 24x7 supply of water to all the areas in the Greater Hyderabad Municipal Corporation.

In collaboration with the Japanese financial institution, JBIC, the State Government has launched a unique programme of cleansing the city's only fresh water lake—Hussein Sagar, at an estimated cost of Rs 310 crore.

To augment the protected drinking water supply to all urban local bodies the government launched 41 water supply schemes with an estimated cost of Rs 368 crore to add 302 MLD of water to the water grid. In the next two years, a sum of Rs 2,550 crore is being spent on another 47 schemes to add 591.11 MLD of water to the water grid to supply 122 LPCD. The government also launched a unique scheme to provide individual water connections to BPL residents on an instalment basis. "So far one lakh such individual connections have been given" says the municipal administration minister, Sri Koneru Ranga Rao.

The YSR government also initiated several initiatives to keep Hyderabad city terrorist free during the Ganesh and Ramzan festivals by deploying over 13,000 policemen. "We have modernised the city police force with good equipment, vehicles and communication systems," says city police commissioner Balwinder Singh.

All efforts are being made to ensure that the scars of the bomb blasts do not impact on the economic activities and also reduce the significance of Hyderabad as a MICE destination of conventions and conferences besides tourist attraction. The government has also taken up a programme for creation of IT infrastructure in the capital to cater to the needs of the growing IT, ITES and BT Industry. It had promoted specialised Bi-tech parks – ICICI Knowledge Park and the world class Shapoorji Pallonji Bio-tech Park for incubators and drug developers. Of late, Hyderabad has become the hub of clinical trials for global drug companies.

In short, Hyderabad has been emerging with full-scale infrastructure for R&D, economic activity, and for tourism promotion. "In the next 10 years, Hyderabad is poised to become the Singapore of the east," says the Chief Minister YS Rajasekhara Reddy. "We are already the hub of airlines for the South East Asian continent. In the next three years, with the completion of the International airport and the outer ring road, Hyderabad city will be on top of the other metropolis in India. "In other words, Hyderabad will be the investment destination of the entire continent."

Quality Rural Education in 6 Yrs

An unprecedented silent revolution is being rolled out in Andhra Pradesh to infuse quality education in the present academic system in the State from the grassroots level. The State Government, led by dynamic Chief Minister YS Rajasekhara Reddy, has plans to introduce quality education methods and institutions all over the state with an investment of Rs 30,000 crore in the next six years.

The State has earned yet another niche globally in its quality education programmes. It is a matter of pride that AP has been ranked No 1 in the 5th joint review mission of the World Bank for the Technical Education Quality Improvement Programme (TEQIP). The government has now made a bold and comprehensive move to involve corporate houses in the PPP model to improve the standard of education.

Titled as the "Public Partnership in Progress", the State Government is all set to sign MoUs with 100-odd companies to run educational schools in rural areas to benefit moffusil students with quality education.

The new Rural Public Schools will provide English medium education on CBSE syllabus and groom students from the VIth to Xth standard. All that the government has provided is land and a share in the recurring expenses annually.

"What is more is that these institutions built and equipped on corporate model will provide free education to the hand picked children from the region at the government cost," says Chief Minister YS Rajasekhara Reddy.

The brain child of the Chief Minister, the scheme aims at bridging the great urban and rural divide in the present education system. "The objective is to provide an hand–holding education to the students from rural areas, a sort of backward integration to find right kind of entrants into the institutions of higher education and add to the manpower pool required in the new economy businesses," says the Chief Minister.

Such schools are being proposed in each of 250 odd rural assembly segments of the state and the admissions for which will be made through an common entry examinations. "Also, 75 per cent of the seats will be filled up as free seats to be sponsored by the State Government while the remaining 25 per cents were fee-based seats in the management quota," says Dr CBS Venkaramana, education secretary.

While the corporate bodies spend Rs 12 crore towards infrastructure in the prescribed format set by the government, the State administration will meet 50 per cent of the recurring cost per annum in the form of sponsoring free education to rural students. "The scheme provides for quality education for the rural students in their place of livelihood and environment," says School Education Minister D Raja Narasimha. The drive to provide quality education in village environment has already been successfully experimented in some districts, including the Chief Minister's native district of Kadapa.

While the TDP regime promoted privatisation of education, the YSR government brought the higher education back within the reach of the common man by promoting decentralisation and setting up six more universities.

Three universities–Telengana University at Nizamabad, Nannaya University at Rajahmundry and Yogi Vemana University at Kadapa have started functioning. One more university from Nalgonda district to cater to be needs of the students of the South Telengana region has also begun to function from the current year.

Hyderabad is already the chosen location for BITS campus besides that of Aga Khan World Institute. The prestigious IIT project is also emerging at Kandi village in Ranga Reddy district, on the outskirts of Hyderabad at an investment of Rs 1000 crore. A veterinary university at Tirupati, branches of IIIT at Krishna, Adilabad and Kadapa districts is on the educational roadmap of the State Government.

The State Government has also doubled the budgetary allocation for Sarva Siksha Abhiyan for promoting the literacy campaign in the State. A record Rs 6,741.18 crore was spent in the last three years as against Rs 495 crore spent by the TDP regime and the government has also succeeded in reducing the school dropout rates in the State.

The School Education Minister says that the literacy rate in AP was only 60.47 per cent as against the national average of 64.28 per cent Andhra Pradesh accounted for 9,677 schools and a total of five lakh teachers of which only 10 per cent were in private sector. There were nearly 65,317 Vidya volunteers.

By end of 2006-07, the total enrolment in schools stood at 1.44 crore students. The school dropouts also declined from 4.64 lakh students in 2004-5 to 1.36 lakh in the current year. The YSR government has hiked the budgetary allocation for mid day meal from Rs 405 crore in 2007 as against Rs 240 crore in 2004. The State Government also hiked the allocation per child for mid-day meal scheme to Rs 2.50 as against 1.50 per child per day.

The State Government also took up its campaign to make school students and teachers computer literate in a big way. With a budget of Rs 227.99 crore 11,968 computers were installed in schools and nearly 14,596 teachers were trained during the year 2006-07.

As a precursor to the

Rural Public Schools a new concept of 21st century schools to provide quality education students in semi-urban and rural areas on PPP with corporate companies was taken up in six locations in the state. One such Gurukul Institute is emerging at Basar in Adilabad, the home of temple of Goddess of Learning—Saraswati.

The State Government plans to set up post graduate campuses of JNTU at Karimnagar and Pulivendula (Kadapa) besides two engineering colleges at Karimnagar and Vizianagaram. To enable rural students from engineering colleges adapt themselves to industry needs, several in-house courses are being run for their benefit. Several institutions of excellence like – Institute of Service Management, Institute of E-Governance (IEG) have also been set up.

The Andhra Pradesh government had launched an unique experiment of setting up Jawahar Knowledge Centres (JKCs) in engineering colleges to prepare the engineering graduates in soft skills needed for placement in ITES and IT sector jobs. Nearly 45,000 engineering students have been provided special training in soft skills through the JKCs. Keeping in mind the huge demand of the IT sector for trained personnel, the State Government has now decided to set up such knowledge centres in every degree college. The JKCs have also been dubbed as "English Labs" to take them closer to the student community.

Although the YSR government realizes the need for private participation in education, however it did not totally hand over education to the private sector like in the TDP period. Instead, it invited private participation in not only school education, but also higher secondary and professional education but kept the controls of recruitment to itself. "No elected government can shirk its responsibility to educate its people in any democratic set-up," says Chief Minister YSR Reddy.

India's IT Destination

The Andhra Pradesh government has not ignored the employment generation potential of the IT sector and has given it a full support in spite of its farmer's friendly stand. Its industry friendly policies have attracted large investments from IT giants like—Microsoft, Oracle, Dell, Motorola, Genpac, Amazon, UBS, UTKS, Delloitte and HSBC.

There were only 909 IT companies between 1997-2004 of TDP regime. But in last three years, 325 IT companies, mostly the global giants have taken roots in Andhra Pradesh and specially Visakhapatnam to bring the total to 1,234 and also join the billion dollar club by recording a revenue of Rs 19,000 crore in the current year as against Rs 12,521 crore in 2005-06.

The IT sector is poised to achieve Rs 26,000 crore export revenue by the fiscal of 2008, say industry experts.

In terms of IT jobs while hardly 85,945 software engineers were employed in the TDP regime, almost 65,854 new jobs were created in Andhra Pradesh in the last two years alone and another 1,00,660 IT jobs were created during the year 2006-07.

As against an investment of Rs 3,533 crore in the TDP regime, the state has attracted Rs 10,442 crore in the last two years, which speaks volumes about the friendly environment created by the Congress government. A record Rs 7,000 crore investments were made in IT infrastructure during current year alone.

The IT sector has achieved a 51 per cent growth rate against the 36 per cent national average and AP accounted for 12.40 per cent of the total exports from the country. AP has taken the lead in setting up 22 Special IT zones with a potential of providing 2.74 lakh jobs. It has also notified 12 more IT parks which will seek to provide 1.49 lakh jobs in the near future.

Thanks to the initiative and drive of the congress government ITES and BPO units were being encouraged to set up shop in two-tier cities and towns of the state to provide job opportunities to the young graduates and software professionals coming up from the rural engineering colleges.

Yet another unique initiative is the creation of Jawahar Knowledge Centres to provide training in soft skills to graduates and software professionals for easy absorption in IT jobs. Nearly 25,000 engineering students and 10,000 degree students have benefited from the training by JKC in the last three years

The state has also earned a name for its exhaustive networking with optic fibre cable (OFC), connecting 10 district headquarters, 110 mandal headquarters and 950 villages to provide digital services through Rajiv Internet villages. By 2007, nearly 8,168 Rajiv Internet Villages were planned of which 513 have already been grounded.

AP is also emerging as a hub of IT hardware with the Fab City project emerging as a SEZ. The state has attracted hardware global giants like Moser Bayer, AMD, Intel besides the Sem-India.

Andhra Pradesh is thus at the forefront of converting its manpower pool into a creative work force to suit the needs of the ITES and BPO industry which have taken roots in the state.

Mainstreaming Agriculture

This agricultural season is Andhra Pradesh is expected to be a bonanza for the farmers once again thanks to the bountiful rainfall for the fourth consecutive year, and with cropping operations in record 82 lakh hectares and projected production 121 lakh tones of foodgrains and pulses. In the words of Chief Minister Dr YS Rajasekhara Reddy "the rain god (*Varuna*) has been very good to us for the fourth year that there will be no starvation or suicides of farmers with adequate work and also food grain production".

The strategic initiatives introduced by Dr Reddy has retrieved the farmers from the throes of suicides and rejuvenated the economic activity in the agriculture sector. Measures like free power to farmers, cheaper agriculture credit, credit eligibility to tenancy farmers, mega irrigation projects *Rytu chaitanya yatras*, digital innovations for soil testing and alternate crop strategies have all helped in bringing large areas under cultivation and increasing production.

As a tribute to the performance of the State Government, the Centre has chosen AP as a model state for its food security mission to increase the buffer stock for contingency and disaster mitigation needs.

Farmer's Welfare:

The nine years of TDP rule had earned the State a new identity as "Suicide Andhra". Inheriting a State which accounted for suicides and the deaths of farmers every day, the YSR Government struggled to give a helping hand to the poor farmer and revive the almost defunct agricultural activity, which had buckled down under drought and official neglect.

Chief Minister YS Rajasekhara Reddy envisaged a three-point formulae to revive economic activity in villages, empower farmers and women and to generate employment opportunities in villages. **Free Power for Agriculture** initiative, though criticised initially by all, has now been accepted as the most viable and suitable measure to give farmers of arid and rain fed and ground water scarce fields, an boost to go back to agricultural activity. **Provision of cheap agriculture credit** and finally **scientific approach and farmer's partnership** were the other initiatives which helped achieve record food grain production and generate employment.

The Farmers Welfare Commission headed by Prof. Jayati Gosh of JNU and, the Agricultural Technology Mission headed by DAV Somayajulu are some of the examples that denotes the zeal to provide a long-term relief to farmers and whip up economic activity in rural economy.

To stem farmers' suicides the YSR government introduced moratorium on farmers debts, improved the institutional agricultural credit and also conducted *Rytu Sadassus* to spread awareness on improvised crops, seeds, fertilisers, scientific methods, relief to farmers who committed suicides. The Chief Minister took lead in appraising the farmers of issues like alternate crop patterns, MSP, micro-irrigation, etc. in his unique programme, *Rajiv Palle Bata*, by touring the villages in each district. His programmes and the confidence he infused among the farmers and middle class has brought down the number of suicides from double digits of 2004 to almost sub zero levels in 2006.

The helpline for farmers, land distribution for landless, moratorium on private money lenders credit and formation of *Rytu Mitra's* all have gone a long way in transforming the agricultural sector. This package was in sharp contrast to the approach of the TDP government, which refused to provide a helping hand to farmers in distress!

The YS government brought down the interest rates for agricultural credit from a whopping 12-14 per cent to 7 per cent. While the TDP government provided Rs 262 crore as agricultural input subsidy for its entire nine years, the YSR government has successfully provided Rs 190 crore in just three years. While the tally of TDP government in agricultural credit sanctions between 1994-2004 was Rs 38,178 crore as against, the YSR government ensured a record agricultural credit of Rs 28,865 crore in the last two years itself.

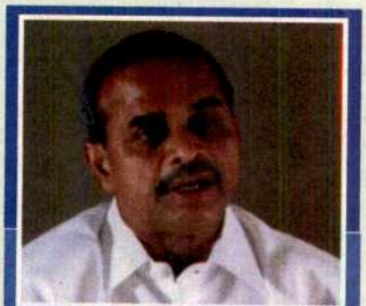
It is another landmark in the agricultural history of the country that it was during YSR regime that 18,35,031 tenancy farmers were facilitated with Rs.155 crore loans. Their number is slated to touch the 36,000 mark and a credit of Rs. 500 crore is slated for the current crop year.

Adarsha Rytu:

In a bid to involve the farmer in the task of increasing food grain production the AP government chose to induct 50,000 farmers to become the–*Adarsha Rytu* (Guiding Stars). Over 25,000 farmers were chosen in the first phase with a honorarium of Rs 1,000 per month with a budget of Rs 36.5 crore to impart improvised agricultural techniques to promote agriculture production. Their major mission was to bring the innovations from the lab to land to make farming self-reliant and sustainable.

As part of the *Adarsha Rytu* concept mandal level agricultural research centres were also being set up to assist the farmers in seeds, fertilisers and crop selections for each crop. The government also selected 1,100 villages to grow seeds of all crops on a scientific basis to relieve farmers from the clutches of unscrupulous traders and middlemen. These villages will soon be capable of providing 10 lakh tonnes of seeds of staple and cash crops.

The efforts of all the three years of toiling and struggle to empower the farmers has paid good dividends. Foodgrain production has escalated to 114 lakh tonnes in 252 lakh acres in the entire crop year of 2006-07 and the target for the current year is to cross 135 lakh tonnes with nearly 275 lakh acres under cultivation.



The CM's Free Power for Agriculture initiative, initially criticised by all, has now been accepted as the most viable and suitable measure

Taking Healthcare to the Masses

It is the vision of the Andhra Pradesh government, headed by the dynamic and people friendly Chief Minister Dr YS Rajasekhara Reddy, to provide medicare and insurance cover against contagious and dreaded diseases including heart and kidney ailments to the below poverty line (BPL) families.

Ever since he took over the reigns of the State Government, the Chief Minister has been striving relentlessly to ensure that the basic health amenities reached the poorest of the poor, irrespective of their caste and creed. The objective is to ensure the BPL families also enjoyed the benefits of strides in medical technology and specialty healthcare facilities available.

Rajiv Arogyasri

Rajiv Arogyasri is the flagship of all health initiatives of the Congress government, with a mission of providing quality healthcare to the poor living below poverty line (BPL) in the State by the end of November 2008.

The State Government initially launched Rajiv Arogyasri, health insurance for all as a pilot project in Mahbubnagar, Srikakulam and Anantpur districts since May and the same is now being extended to all districts to benefit 1.8 crore families who form around 30 per cent of the BPL families living in urban slums and poverty ridden villages of the State.

The unique project provides free medicare for all besides insurance cover for critical patients. Other features of the unique health initiative are:

- State to pay premium for Rajiv Arogyasri card holders.
- All BPL families eligible in villages and urban slums
- Insurance covers diseases like heart ailments, neurosurgery, kidney, cancer, burn injuries, including surgeries and hospitalisation charges.
- Several specialty hospitals chosen to provide benefits
- Each family can get Medicare, including hospitalisation expenses coverage worth Rs.1.5 lakh.
- Revolving fund of Rs 5 crore created for the operations of the scheme.
- A call centre set up to assist the BPL families in not only procuring the health cards but also on how to get benefit from it.
- An Arogyasri Healthcare Trust set up with an IAS officer as its CEO to streamline healthcare for the poor.
- The government is to form a team of 10,200 Arogyamitra volunteers to guide the beneficiaries in tribal areas about the insurance benefits.

Other initiatives:

To begin with, the State Government initiated steps to regularise supply of drugs and equipments down to all the primary health centers. Secondly it initiated steps to fill up the posts of doctors. Thirdly it withdrew the user charges payable by patients in government specialty hospitals, slapped by the TDP government.

Fourthly, the government took steps to upgrade the Nizams Medical Sciences and the Sri Venkateswara Institute of Medical Sciences on par with that of the AIIMS. Fifthly it created 520 primary health centres to provide emergency and maternal and neo-natal care at a cost of Rs 1,200 crore

besides a brigade of 50,000 health volunteers to take medicare to remote villages.

Little Hearts:

One of the milestones in the health sector is the government initiative to provide free heart surgeries for children below 12 years suffering with ailments, including holes in the heart, under the 'Operation Little Hearts' scheme. On a massive scale, the State Government organised scrutiny of such cases at the district level, which threw up nearly 10,000 cases. Since 2004, when it took over, the Congress government has completed 5,160 Little Heart surgeries as of October 2006

Andhra Pradesh has bagged the third position in infant mortality ratio (IMR) at 62 per 1000 births and the Nizamabad district has gone a long way in reducing infant mortality rate at 18.62 per 1000.

For the convenience of pregnant women in villages, the State Government has initiated a unique scheme of providing free conveyance by ambulances up to the hospitals. The scheme popular in districts as—Maatha-Shishu Rakshak—has gone a long way in reducing infant mortality in the state. The Janani-Suraksha scheme has helped in promoting hospital delivery of children, with a special cash incentive to pregnant women.

The YSR government transformed the public health scenario by an equitable ratio of private-public partnership to improve the diagnostic services at all government hospital services. More recently, it has been involving private enterprises in managing the diagnostics in government hospitals for a nominal fee. By doing so it has not only reduced the burden on the government but also provided quality service to the patients at a nominal cost.

The Andhra Pradesh government has a focused strategy to tackle the endemic of HIV/AIDS. The Andhra Pradesh State AIDS Control Society (APSACS) has, with the help of 120 NGOs, taken up the awareness programme on a war footing to end discriminationagainst children with HIV in schools and also against women with HIV in workplaces.

Home for all below BPL by 2009

Yet another unique revolution is gathering momentum in Andhra Pradesh, under the dynamic leadership of Chief Minister YS Rajasekahra Reddy, is a programme to provide houses for every poor in both urban and rural locations. Committed to fulfillment of the vision of the former Prime Minister and Congress president, late Smt. Indira Gandhi, the AP government has launched a massive programme to provide houses and urban amenities to all poor living below poverty line (BPL).

"I have seen how difficult life is for the urban and rural poor who comprise over 70 per cent of the population in rainy and winter seasons when they don't have proper shelter from vagaries of nature," said Chief Minister YS Rajasekhara Reddy, describing his mission behind the programme. His government is working determinedly to fulfill the needs of Roti, Kapda and Makan. As per initial estimates, a record 15 lakh houses of the over 19 lakh houses nearing completion were ready for occupation before Diwali.

To herald its successful housing programme and to display its commitment to complete the remaining 65 lakh houses (over 30 lakh houses already at different stages of grounding), the government conducted a 'INDIRAMMA Grihapravesham' from October 2 to October 21 (Vijayadashami).

"We want the people to share the benefits of our housing programme on the eve of the festival and to reassure them that this government will fulfill all of its promises made during elections" says Housing Minister Botsa Satyanarayana.

The government has launched a massive mobilization programme for the housing scheme titled as Ininta INDIRAMMA. The exercise is aimed at enlisting all the BPL families with the White Ration Cards to take benefit of the scheme by registering themselves for the second and third phase of the programme.

As part of the programme, officials and the people's representatives visit the urban slums and villages and identify the beneficiaries of BPL and urge them to take benefit of the scheme. The objective is to deliver the sanction letter to the poor at their door steps and also to ensure that the benefits are derived by the real needy and poor and not benami. "We want to ensure that not even a single BPL poor family is left out in the housing programme," says the chief minister.

The INDIRAMMA programme aims to build 75 lakh houses, including 18.77 lakh pucca houses, house plots to 5.14 lakh rural and urban poor.

URBAN HOUSING: It is estimated that towards urban housing an extent of five lakh house sites were needed for the next two phases of the INDIRAMMA programme, which is slated to be acquired and distributed by November 2007.

As per the present programme, the urban housing scheme under the INDIRAMMA programme will be launched by November 19 and is projected to be completed by March 31, 2008. "Majority of the urban houses will be precast houses for which the State Government has begun selection of firms by a committee comprising of three chief engineers of R&B, Panchayat Raj, Housing and the Director General of National Academy of Construction," said Chief Minister Y S Rajasekahra Reddy while reviewing the INDIRAMMA housing programme.

Besides precast housing, the State Government has also taken up training of masons, electricians and plumbers in a large scale. "One may not believe it but we have trained over 30,000 masons for the housing sector," said the Chief Minister.

A sum of Rs 27,000 crore were spent during the last three years to build houses, roads, etc., in villages to bring them on par with the urban towns. Construction of 20 lakh houses was taken up in 2006-07 as against 12 lakh houses in 2004. Under the INDIRAMMA programme, 17.67 lakh houses were built in 8,046 villages and 2.34 lakh houses 1371 municipal wards. For the 2007-08 year, a sum of Rs 5,443 crore has been earmarked for housing projects.

As part of its poll commitment to the weaker sections to provide houses, the YSR government has constructed 19 lakh houses with a contribution of Rs 3,304.75 crore in the last three years as against the 27,51,849 houses built for weaker sections over nine years of TDP rule. If the TDP built only three lakh houses per annum, the Congress government under YSR Reddy had achieved six lakh constructions per annum. While the TDP allocated hardly Rs 25 crore for housing per annum, the Congress government has allocated over Rs 100 crore per annum.

RAJIV SWAGRUHA: The YSR regime had not forgotten the middle classes, which are the voice of the common man. For their benefit, Chief Minister Y S Rajasekhara Reddy conceived a housing programme–*Rajiv Swagruha*—at a cost of Rs 20,000 crore to benefit 1.75 lakh middle class families. The construction works were taken by the AP housing board and the AP Industrial Infrastructure Corporation and Urban Development Authority.

RAJIV GRUHA KAPLA: Under this, the State Government proposes provide one lakh house plots to eligible urban poor every year in a phased manner in 42 municipal towns.

The Government will also facilitate bank loans to beneficiaries along with its share of subsidy and proposes to build houses for them. Of the proposed 95,914 houses under the RGK scheme, the construction of 35,116 houses has already been successfully completed.

Jalayagnam: Watering the Fields

Water is a prime natural resource, a basic human need, a precious asset and an input for development. Andhra Pradesh has a total of 40 river basins. Godavari, Krishna, Pennar, Vamsadhara and Nagavali are the five important rivers in Andhra Pradesh.

The Andhra Pradesh government took up the programme in a massive scale to provide permanent relief to the farmers as the only way out to resolve the long pending demand of farmers—water to their fields.

Chief Minister YS Rajasekhara Reddy who toured the State found disparity between farmers of coastal districts and the plains and drought ridden districts. "We decided to take up the massive irrigation infrastructure programme in the State as the only solution to end farmers' travails and also to place the state among the top leading foodgrain producers in the country," said YS Rajasekhara Reddy in an interview.

The dependable yield from all these rivers is 2764 TMC. This breaks up into 1480 TMC from the Godavari River, 811 TMC from the Krishna, 98 TMC from the Pennar and the rest from the other small rivers. Water utilisation so far is only 1,765 TMC irrigating 128.8 lakh acres against cultivable area of 389.72 lakh acres. Besides, on an average, every year 4,000 TMC of flood water is going waste into the sea from Godavari, Krishna and other rivers.

More than 70 per cent of the population of Andhra Pradesh depends upon agriculture. In view of the recurrent droughts in the state during 1997-2004, the farmers have been subjected to serious hardship and sufferings. This also manifested in unfortunate occurrence of farmers' suicides. As a key strategy in mitigating the suffering of farmers and overall development, the Congress Government of Andhra Pradesh soon after assuming office has given paramount importance to irrigation to convert the under developed areas into irrigated and cultivable areas and launched "Jalayagnam" programme in June 2004.

The focus of the "Jalayagnam" programme is on the backward, drought affected and underdeveloped areas. 62 major and medium irrigation projects have been taken up so far to develop 100 lakh acres of new ayacut at a cost of Rs 1 lakh crore. The State Government has decided to take up these projects under the novel EPC Turnkey System procedure that is followed the world over, so as to achieve the targeted irrigation development. Under this system, the agency awarded with the work, has to take up investigation, survey, designs and construction on a turnkey basis and hand over the completed project to the government. In this system, there will not be any scope for deviation of quantities, revision of estimate, etc.

Under EPC turnkey system, the government has finalised and launched 284 packages with an agreement amount of Rs 46,098 crore. Timely land acquisition is an important factor in completion of the projects as per schedule. The Government has sanctioned 44 special Deputy Collector posts for expeditious land acquisition for these projects. Out of 6,08,323 acres land required for these projects, 4,75,254 acres was requisitioned and 3,22,696 acres of land already taken into position. The State Government has evolved an relief and rehabilitation (R&R) policy, which leading social scientistsis say is superior to the National R&R policy.

A land bank has been created for 10,000 hectares towards compensatory afforestation lands against total requirement of forest land 8903 hectares and the forest land required is being acquired expeditiously. To ensure good quality of work, the government has decided to go in for third party quality control and works have been entrusted to reputed quality control and assurance consultants.

The Government of Andhra Pradesh has also speeded up the process of clearances of various projects pending with CWC, Departments of Environment, Forest and Tribal Welfare and obtained most of the clearances for early utilisation of waters and completion of projects. Government of AP has already linked River Krishna with River Penna through the Telugu Ganga Canal. Now, under the "Jalayagnam" it is proposed to link Godavari with Krishna, through the Polavaram Project right main canal, which is under execution now. It is also proposed to establish a second link from Dummugudem Barrage to Nagarjunasagar tail pond dam by means of a lift canal.

The government has also taken up mega irrigation projects such as Pranahitha-Chevella to irrigate 12 lakh acres and Dummugudem Barrage to NS Tail pond dam to divert 165 TMC surplus waters of Godavari to stabilise NSP Ayacut by means of lift and they are being explored. The Government is contemplating hydel generation projects at Dummugudem, Singa Reddy Pally, Polavaram, and Pulichintala to generate 1800 MW for running lift irrigation schemes. There has been a phenomenal increase in the plan allocation for Andhra Pradesh in the past four years mainly because of the launching of a large number of irrigation projects.

In order to make the people of the State, particularly the farmers prosper, the government aims to complete the ongoing and contemplated projects in the next 2 to 5 years to create an ultimate new irrigation potential of 102.81 lakh acres by spending Rs 1.00 lakh crore. The total irrigation potential after completion of Jalayagnam, including minor irrigation and APSIDC schemes, will be 231.62 lakh acres. This will firmly put the State on the irrigation map of India.

Priority to Social Welfare

Andhra Pradesh, which accounts for 50 per cent of population belonging to economically backward sections, has been a role model for its social welfare initiatives since Independence.

The dynamic leadership of Dr YS Rajasekhara Reddy has successively rolled out initiatives for the enlistment of the Backward Class community who are socially and economically underdeveloped. Over the years, the Congress government has hiked the allocations for the BC students education— hostels, scholarships and mess charges by an average of 92.34 per cent to facilitate quality education in the rural schools. The social welfare budget for the current year stood at Rs 1,553.83 crore.

"Capital investments in infrastructure alone are inadequate in social upliftment of the people. It is essential to upgrade their educational levels and also provide them food security," says the Chief Minister.

The Andhra Pradesh Backward Classes Cooperative Finance Corporation has launched the Rajiv Abhyudaya Yojana scheme for upliftment of rural artisans. The national backward class's finance development corporation has provided Rs 150.67 crore to benefit 2,51,132 persons of BC communities to elevate themselves to gain self - employment. In the year 2007-08 a sum of Rs.10 crore was allocated to assist 20,818 rural artisans. An action plan for social welfare measures for the Backward Castes has been specially laid down with an additional outlay of Rs 21 crore.

Since its elevation to power in 2004, the Congress government had taken up an ambitious programme promote the education of poor students from backward classes. It has doubled the scholarship amount and also the mess charges of the students by allocating a sum of Rs 1553.83 crore.

The budget for the social welfare sector has shot up by 25 per cent compared to previous year with a record Rs 4,057 crore as against only Rs 860.54 crore in 2004.

Salient features of its welfare policy include:

- Minorities get 78 per cent, women and children get a 72 per cent hike, BCs get 37 per cent, 11 per cent for SCs, 6 per cent in the annual budget for fiscal 2007-08.
- Among the sectors education got 57.16 per cent of welfare budget (Rs 886.26 crore).
- Congress government has given a 62 per cent hike in scholarship at Rs 833 crore in current year budget.
- Social welfare hostels have been upgraded from 120 integrated hostels to 240 multiple hostel complexes.
- Record 2, 53,787 eligible students get hostel facility
- Benefits to 1,90,148 students in the SC action plan of 2006-7 at a cost of Rs 276.50 crore.
- Tribal budget hiked by 6 per cent to Rs 684 crore in current year.
- Tribal students getting scholarships in addition to 25 per cent hike in mess charges.
- 313 new buildings for social welfare hostels.
- Six member SC/ST commission headed by Dr Nagarjuna set up to recommend measures for upgrading social welfare programmes in rural areas.
- Rs 204 crore for BC scholarships alone in the current year. 164 per cent hike in BC scholarships since 2004.
- 41 per cent hike in BC welfare budget and allocated Rs 533.95 crore by 2008 as against Rs 363.35 crore allocated under the TDP regime.

As part of its welfare initiatives the YS government has hiked the old age pension from a meager Rs.75 of TDP period to Rs.200 and has shouldered the responsibility for proper and timely disbursement of all pensions including that of physically handicapped to the village committees and self-help groups.

Chief Minister YS Rajasekhara Reddy has announced the policy to provide a quantum jump in pensions to the aged and widows and physically challenged persons.

"Although the State Government has made huge capital investments in irrigation and infrastructure activities, it has not been blind to the social welfare needs of the common man," said the Chief Minister, who insists on special focus on the social welfare measures at every official meeting.

MINORITY WELFARE MEASURES

The State Government not only recognises the social and economic needs of the minority communities but has prepared a roadmap for their upliftment. Unlike in the past, a special beneficiary focused programme has been undertaken by Chief Minister Dr YS Rajasekhara Reddy for poverty eradication among the Muslim community in the old city of Hyderabad.

"Promotion of education is the only route for eradication of poverty," the Chief Minister said while formalising the poll promise to provide the Muslims a 5 per cent quota in both educational institutions and also government jobs. However when this was struck down by the courts, the State Government did not hesitate to appoint an one man commission to consider whether the community could be enlisted under the backward communities deserving reservation.

Also, undeterred by the criticism of the right winged opposition parties the government once again came out with a formulae for the benefit of the Muslim community and brought out a regulation for listing the low income Muslims groups under the Backward Classes category. The new regulation provides for 4 per cent quota in educational institutions and government jobs.

Besides making regulations the government has also taken up a series of initiatives for the upliftment of the community. Among them was to present computers to Urdu teaching schools and Madarasa's involved in Islamic theological studies. For the first time in the State, the government also provided mid day meal scheme for students in Madarsas and Urdu schools.

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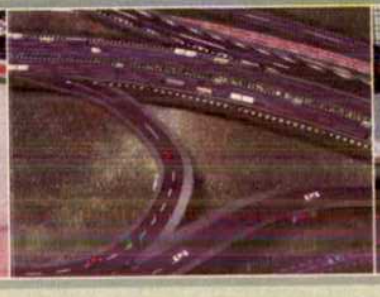
ANDHRA PRADESH

Confident strides towards a bright future



Andhra Pradesh, the most happening state in India, has made rapid strides in various sectors from Irrigation to Information Technology during the past three and a half years, promising a prosperous future for its people. Andhra Pradesh is rich in natural, mineral, and human resources and now, is poised to emerge as the largest producer of natural gas in the country. Three broad sectors have been identified as strategically important viz., rural economy (agriculture & irrigation); social security and welfare; and Information Technology, Biotechnology and Industry-related services. Dr. Y.S.Rajasekhara Reddy, Chief Minister has given the State a face-lift with pro-active, pro-poor and pro-farmer as well as investor-friendly and rural oriented policies.

Irrigation Sector: The State Govt. has initiated a series of important irrigation projects with an outlay of rupees One Lakh crores, to bring Ten million acres of land under cultivation, including stabilization of 3.5 million acres of existing ayacut apart from providing drinking water to 1.2 million people and generating 27000 M.W. of power.

INDIRAMMA (Housing Scheme):
Shelter for every Citizen belonging to the financially weaker sections will soon become a reality in Andhra Pradesh. Government of AP has been working relentlessly towards achieving the 'Hut - Free' status for the state. Since the inception of the 'Weaker Section housing scheme' 69.52 lakh houses have been completed. The last three years alone has seen the completion of 22 lakh houses.
Under the 'INDIRAMMA scheme' 20 lakh houses have already been constructed, with an expenditure of Rs. 1710.50 crores. The Government has set a target of 80 lakh houses to be constructed in the coming three years.

Infrastructure:
Outer Ring Road - In order to tackle ever-growing traffic and the consequential pollution in Hyderabad and its surroundings, an 8-lane 162 km. Outer Ring Road has been taken up and the works are in full swing.
New International Airport - The Government has expedited the process of constructing Rajiv Gandhi International Airport at Shamshabad, near Hyderabad. The works of the International Airport are nearing completion and will be operational in 2008.
Expressway & Flyovers - An expressway of international standards is being built to connect the new international airport with the heart of the city. The PV Narasimha Rao Expressway would be fed by a dozen new flyovers spread across the city. With most of them nearing completion, Hyderabad would experience a huge relief in its traffic congestion.
Metro Rail Project - A Rs. 7,711 cr. master plan for 150-km Hyderabad Metro Rail Project (MRTS-Mass Rapid Transport System), comprising of 10 important corridors, has been prepared. And 3 busiest corridors viz. Miyapur - Chaitanyapuri (26 km), Secunderabad - Falaknuma (13 km), and Tarnaka - Hitec City (21km), totalling 60 km, will be completed in phase-1. The project is expected to commence in 2008.

Industrial Policy: The State Government announced a New Investment Promotion Policy with effect from April 2005, and will address issues which will make domestic industry competitive, and also give a decisive edge to the prospective investors and to improve the rural and urban economies. A major thrust has been laid upon promoting Special Economic Zones, Biotechnology, IT & ITES and Tourism industry.
Economic Zones, Biotechnology, IT & ITES and Tourism industry.

IT & ITES: A comprehensive ICT Policy was brought out to accelerate the growth of Information Technology sector in the State with Tier-II cities also emerging as key centers. Until 3 years back IT was limited only to Hyderabad. The expansion and growth of IT & ITES to other small cities and towns like Warangal, Vizag, Kakinada, Vijayawada, Guntur, Nellore and Tirupati is being carried out not only for providing gainful employment to educated rural youth but also for achieving overall balanced economic development of the State.

Tourism: Acknowledging the vast potential and impact tourism has on other industries, the Government of Andhra Pradesh is focusing on tourism for generating greater employment and achieving higher economic growth. In the coming years AP tourism will concentrate more on Ecotourism & Rural tourism. Extensive Infrastructural development is being done to provide quality facilities to the ever growing number of Pilgrims. Entrepreneurs are being given a lot of encouragement to boost the infrastructural prowess of the state. Quality education facilities to produce skilled manpower for the Hospitality industry are also growing in number.

Issued by I&PR, Govt of Andhra Pradesh

Futuristic initiatives - Impressive success stories!

Andhra Pradesh. Where the citizen comes first. Where every initiative, every project, every effort is dedicated to the well-being of the common man. Where the prosperity of the State takes front seat at all times.

Projects on the success path...

Jalayagnam	:	A Rs. 130,000 crore initiative to enrich one crore acres of land
Indiramma	:	Construction of 200,000 homes (2007), 800,000 homes (2008-2010)
Indirakranti Patham	:	Loans under Pavala Vaddi (0.25% interest) Scheme - disbursal of Rs. 6500 crores
Rajiv Gruhakalpa	:	Homes for the urban poor Guaranteed Employment Livelihood for people in 19 districts - succour for 36.50 Schemelakh families
Indiraprabha	:	Development of Assigned lands at an expenditure outlay of Rs. 500 crores
Aarogyashri	:	Free medical benefits for the poor

These are only some of the many initiatives undertaken by the AP Govt., with the partnership of its citizens, to make the State a 'Harithandhra Pradesh' - the land of plenty!

The Indiramma era - The era of more

Issued by the Information and Public Relations Dept.

PACHAURI'S NOBEL VIEW

STAY AHEAD. EVERY WEEK

PPPs IN FASHION

29 October 2007

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The 4th screen

The mobile emerges as the alternative to cinema, TV and computer screens, creating a multi-billion dollar business opportunity

SPECIAL REPORT:

CAPITAL TROUBLE FOR STOCK MARKETS

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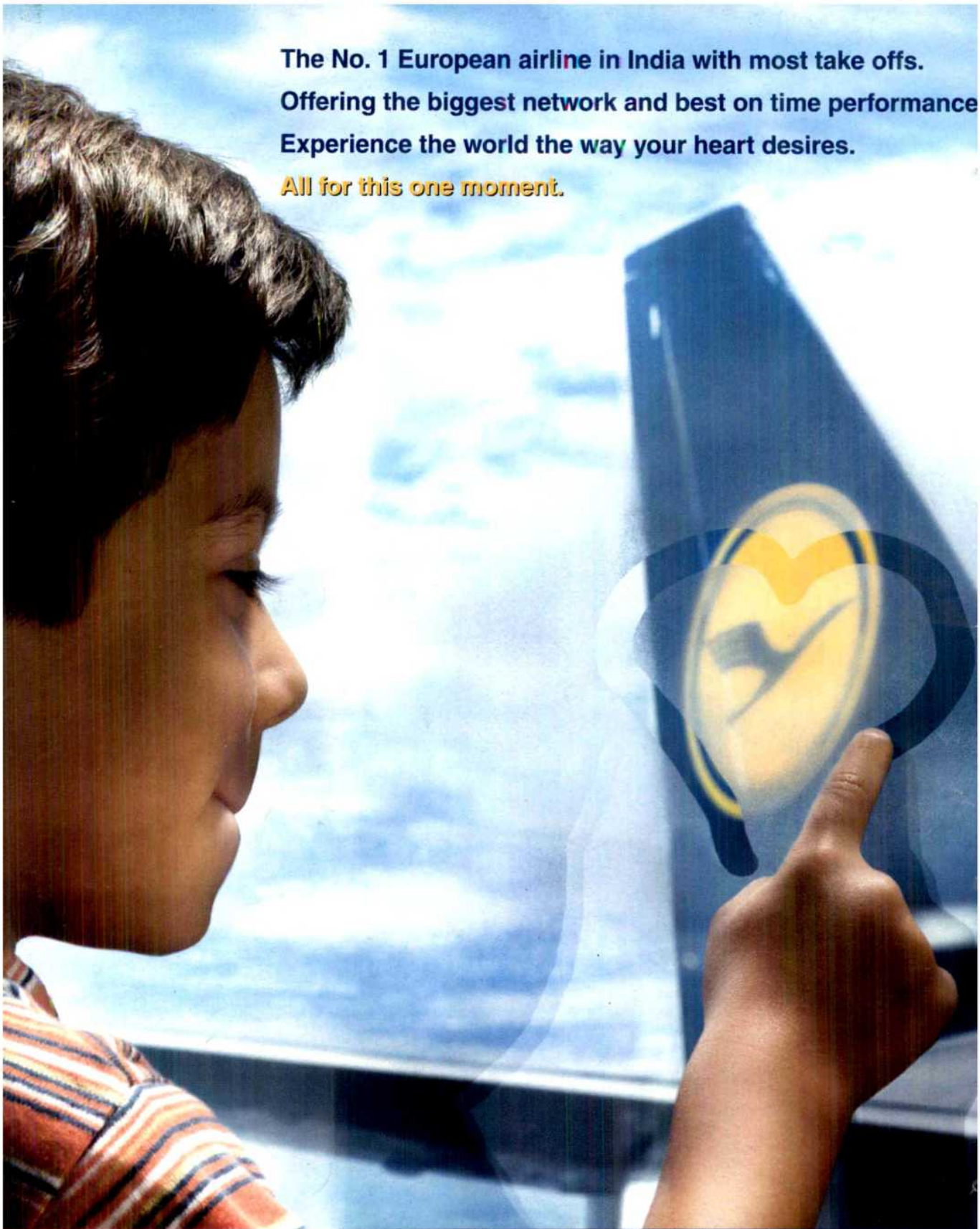

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2. Enter default password '0000' and press ok
3.Go to option 1 and select 'on'
4. Change your password immediately
5. Go to option 3 & press New
6. Enter your name & two alternate mobile numbers.
Step 2
In case your handset is stolen, and your SIM is removed & new SIM activated, two numbers registered in Step 1 receive the SMS informing about the SIM number & the location of the thief
Step 3
Forward the SIM number & location to the police to track the thief
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feedback

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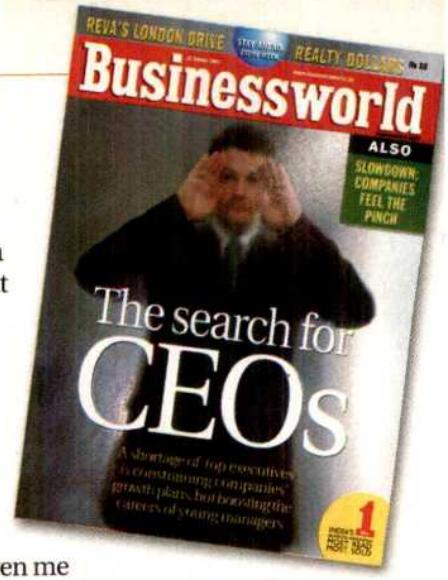
Who gains and how



❑ Regarding your story, 'The Head Hunt' (*BW*, 22 October 2007), it is not overwhelming anymore that there is a talent crunch or a CEO shortage. What is new right now, as you said, is the fact that companies are investing crores in training graduates in the nuances of practical application. In fact, rigorous tests are being conducted to pick the brightest and then train them for at least 6-12 months for a job. I have learnt more from the training that my company has given me than in my four years of engineering classes. The question is, if the curriculum needs to change, and is the education department doing enough to keep up with the current demand. Your point about the apprehension of young-leading-the-young is well made. It is important to temper young blood before they run multi-billion rupee companies and this comes only through experience.

Amiya Sharma, *via e-mail*

NOT YET

Omkar Goswami's column 'And The End Is Nigh' (*BW*, 22 October 2007) is an excellent analysis of the present political situation. The only flaw is that it has not taken into account the true nature of Manmohan Singh who is a great survivor. As a true bureaucrat-politician and having studied the nature of communism under Harold Lastly when at Cambridge University, he knows, despite all odds, how to rise to the top and having reached there, how to survive.

Vidya Sagar, *via e-mail*

THE DILIGENT ONE

The cover story on Suzlon 'Lord Of The Wind' (*BW*, 1 October 2007) is a story of from rags to riches. Tulsi Tanti turned around the company from the brink of bankruptcy to be a part of the billionaires club with his vision, single mindedness and hard work. The literal meaning of 'tanti' in Gujarati is 'diligent' and he is the one. The present challenge for the company is infusing professionalism for its transition from a family run business to a global giant.

Ashok Karia, *via e-mail*

CATCHING THEM YOUNG

It is interesting to note from your story, 'The Pink Of Health'(*BW*, 8 October 2007) that children are taking to gyms. That way they eat healthier and spend less time as couch potatoes with TV and computer games. And fitness consciousness will remain with them throughout their lives. Also, they can learn that exercising is more than just 'body beautifying'. Maybe they can be an 'anorexia-free' generation.

Gayathri G., *via e-mail*

The letters have been edited for brevity.

Write in at editor@bworldmail.com

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Yvan De Cock, CEO, Fortis Turkey

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- 65% below 34 years old. Average age 29.
- Approx. 400,000 university graduates per year.
- Young, well educated and motivated, professionals.
- Highly competitive investment conditions.
- Exports increased 240% in 4 years, up to 85 billion USD as of 2006.
- Access to the EU, Central Asia and the Middle East.
- GDP increased 122% in the past 4 years, reaching 400 billion USD.
- Ranked as the 17th largest economy in the world and the 6th largest economy in the EU.
- Ranked 13th among the most attractive countries in the world, with its FDI worth 20.2 billion USD. (OECD, 2006)
- Annual Average GDP growth of 7.4% per year, since 2002.

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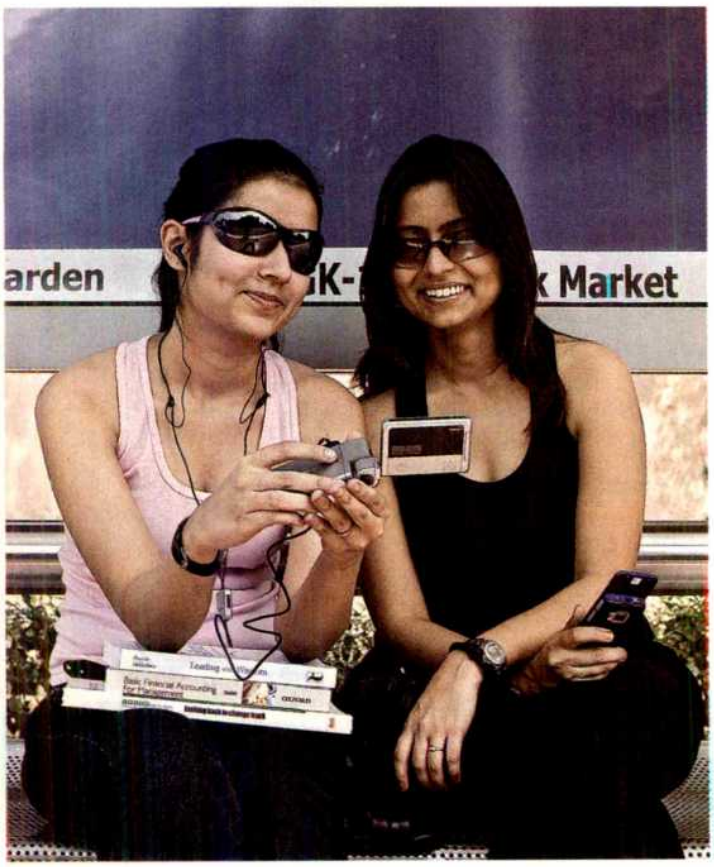

SANJAY SAKARIA

COVER STORY 32

Mobile 2.0

All along the mobile phone meant just voice calls and SMS. Today, 30 million Indians are already on mobile internet. But over the next couple of years, Indians could look forward to a host of applications including checking e-mail, buying air and rail tickets, seeing movies, watching TV and even transferring money over the internet on the mobile phone. There has, thus, developed a whole new eco-system.

IN THE NEWS

8 | Still On The Shelf

Reliance shareholders may have to wait a while before they get the much-awaited good news. The company is yet to unravel its retail plans.

NO FRESH ARRIVAL: Can see, but can't touch

9 | Gas Dispute Despite the High Court order, Ambanis are unlikely to renegotiate their dispute over gas supplies.

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The government fears that the rising rupee will hurt the domestic industry more than exports.

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CURTAIN CALL: Are we ready?

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IPCC has just won the Nobel Prize with Al Gore. But Pachauri says his mission is still far from over.

'NOBEL' VIEW: R.K. Pachauri, chairman, IPCC

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The Indian stock-market story has many believers who keep the cash flowing. But monitoring the market is tough.

GUTSY: Trader Archana Dhaka

28 | A Day In The Life... How the volatile markets affect the life of a day trader in Mumbai.

30 | Column Financial planner Gaurav Mashruwala talks about how to tackle the shaky markets.

IN VOGUE

100 | Glamour On Wheels

Auto connoisseurs' ultimate delight is finally in India. Bentley's convertible Continental GTC makes its entry.

102 | Bookmark Robert Frank makes sense of economics, plus Shashank Mani's personal discovery of India.

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16 | Ashok V. Desai Why Indians who have succeeded abroad still shy away from investing here.

39 | Kevin Hassett Al Gore should, perhaps, contest for US Presidency, now that he has won the Nobel Prize.

53 | Ann Woolner Wal-Mart sought to increase profits by cutting back labour costs, not exactly legally.

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Cover Design: Jyoti Thapa Mani
Photograph: Sanjay Sakaria

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- **B-Schools:** A rendezvous with CAT 2006 topper Siddharth Agrawal.
- **Surveys:** *BW* Online brings to you selected surveys conducted by *BW* since 2003.

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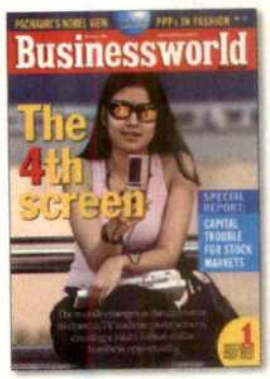
Greed stifles growth

THE hype has to die down some time for the real business to begin. Ten years ago, the internet was the biggest thing happening in the world. Now, the Web has become so intertwined with our lives that we hardly notice it.

Though internet usage is growing in India, poor PC penetration and broadband connectivity constrain its diffusion. But the internet is now reaching into your pocket through the mobile phone. Today, there are more internet-enabled mobile phones in India than there are PCs. Ergo, the future of mobile telecom is no longer about voice or SMS, but internet access.

It is not clear that this fact has fully sunk in with mobile operators such as Bharti and Reliance. For one, these companies are not encouraging the development of internet mobile content by keeping the bulk of the revenues generated from this business instead of sharing it equitably with providers. While Gordon Gekko's creed that greed is good might be true, greed can also stifle innovation and growth. The mobile internet ecosystem is developing and should not be controlled by mobile phone operators. As Japan's experience shows, fair revenue sharing between mobile companies and content providers is the only way to boost on-the-go Net access. Controlling the internet is not easy and if the operators are not smart, the handset makers will steal this opportunity from them by embedding more of these applications or content directly in the phones. Nokia seems to be doing just that.



Another major package in the issue is about how New Delhi has become excessively willing to let the private sector participate in developing infrastructure through much-vaunted public private partnerships (PPPs). Globally, businessmen are ecstatic. At $475 billion, infrastructure in India is a huge opportunity. But it should not be forgotten PPPs will result in higher costs for users, something that could lead to a backlash here just as it has in Mexico and Brazil. And the backlash can sour the opportunity and stop the development.

Lastly, read our interview with Rajendra K. Pachauri, chairman of the UN's Intergovernmental Panel on Climate Change, which was just awarded the Nobel Peace Prize.

K. Yatish Rajawat, Associate Editor

RELIANCE RETAIL

Hopes squashed

PLENTIFUL: Reliance's retail business has 300 outlets spanning 23 cities

SHASHI KIRAN K.

ON October 12, shareholders who attended the 33rd annual general meeting (AGM) of Reliance Industries in Mumbai came away all starry-eyed. They were excited about a statement that chairman Mukesh Ambani made. "The board meeting is on Thursday, you will be happy," the elder Ambani said cryptically.

The statement led to intense speculation among the company's 38 lakh shareholders about a surprise-in-waiting and the stock market was abuzz with rumours through the week. Some speculated that the company would announce a bonus issue and a stock split. The last time RIL gave bonus shares was in the late 1990s when patriarch Dhirubhai still chaired the annual meeting. Yet others were certain that a 12 per cent stake of the company held in a Trust after the merger of Reliance Petroleum with RIL in 2004 would be monetised to use it for company capex.

Shareholders may have to wait a while before Mukesh unlocks value of RIL's retail business

But the most exciting rumour was that Mukesh Ambani would announce an initial public offer of his latest mega venture — organised retail. The grapevine had it that RIL shareholders would get a preferential treatment in the IPO. The split of the Reliance empire has created additional wealth of Rs 1.68 lakh crore. So, investors expected RIL to unlock value in its retail business which already has 300 outlets across 23 cities.

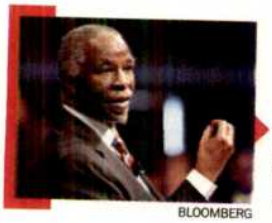
However, the company merely announced better-than-expected results after Thursday's board meeting. It has reported a second quarter net profit of Rs 3,837 crore, up 28 per cent from the same period last year. Its revenue has risen 6 per cent to Rs 33,402 crore, thanks mainly to refining margin that has risen from $9.10 to $13.60 a barrel.

Expectations were high after Mukesh Ambani's statement at the AGM because of an incident at the company's annual meeting in late 1990s chaired by his father. Dhirubhai Ambani had then asked shareholders their take on a bonus issue. No one was sure. After the AGM, the chairman hurriedly called a meeting of the board back-stage. After 15 minutes, the board announced a bonus of one share for every share held. The shareholders were getting a bonus after 14 years.

In just six years since Mukesh took over the reigns from his father, RIL's revenue has crossed the Rs 1 lakh crore-mark and shareholders' wealth has jumped nine fold. The company today tops the India Inc's chart on market cap, which has zoomed to Rs 3.82 lakh crore from Rs 41,989 crore during the period. Leveraging RIL's low-cost base at home, he has also expanded Reliance's global footprint by buying exploration blocks in Yemen, West Asia and Australia and acquiring retail petroleum outlets in east Africa.

For more goodies, shareholders may have to wait a little longer. ■

BAIJU KALESH



BLOOMBERG

"Why this apartheid against the Prime Minister of India?"
South African President Thabo Mbeki when the system to interpret Manmohan Singh's opening remarks at the IBSA summit in Pretoria stopped functioning abruptly on 17 October.

GOOD OLD DAYS: (From L to R) Anil Ambani, late Dhirubhai Ambani and Mukesh Ambani

SANJIT KUNDU

ANIL-MUKESH GAS DISPUTE

Brothers in arms

The Ambanis will find it tough to follow the court order to renegotiate the dispute over gas supplies

FLUMMOXED is the only word for it. Seldom has a court given a verdict of this kind. What the Bombay High Court told the feuding Ambani brothers last Monday essentially was: run along and settle your dispute over gas supplies from the Krishna Godavari Basin by yourselves and come back with a new agreement in four months. This has stunned both the Mukesh and Anil Ambani camps, and taken the legal fraternity by surprise.

The core of Justice A.V. Mohta's 150-page order was simple. Responding to the slew of petitions filed by Anil Ambani of Reliance Energy (REL) against elder brother Mukesh Ambani of Reliance Industries (RIL) for failing to honour the commitment to supply 28 mscmd (million standard cubic metres daily) at $2.34 (Rs 93.6) per mBtu (million British thermal units), the judge made three observations which are key. He said the family agreement on demerger of the family assets sealed in June 2005 was valid, although RIL counsel Harish Salve argued that the agreement between the brothers could not be binding on RIL or its board. Since the agreement was working well in all other respects, this was not a tenable argument, the judge ruled.

The second point that Justice Mohta made was that the gas agreement — it runs for 17 years — looked one-sided and needed to be reworked. Come back with a bankable contract in four months, he told the brothers. The third point, and a crucial one, is that since RIL had a production sharing contract with the government of India, the government would willy-nilly have a role in approving any agreement that the Ambani brothers might be able to hammer out. The court itself would not dictate how the commercial agreement should run.

It was the government, in fact, which annulled the contract, saying it was not an arm's length deal. The problem is the low price of $2.34, which would bring down the government's share of the revenues from RIL's KG Basin DC-6 field. Just a week ago, it approved RIL's proposal to sell gas from this field at $4.20 (Rs 168) to private buyers. The company is scheduled to pump out 80 mscmd of gas from June 2008 and any legal hold-up will hit the company hard. As of now, the interim order restraining RIL from selling gas committed to Reliance Natural Resources (RNRL), the fuel supply subsidiary of REL, stays put.

How will a new bankable agreement be thrashed out? Neither side has a clue at the moment. A spokesman for REL says its stand has been vindicated since the court has upheld the enforceability of the family settlement and said "it is binding on their respective companies".

But reworking the agreement is obviously fraught with problems since the court has left the issue wide open. "To what extent RIL should respect the the MoU in respect of pricing and/or tenure and/or quantity is a matter to be decided by the two parties, and that too after taking into consideration the government policy." And in case, there is no settlement, either of the parties is free to approach the court, Mohta ruled.

The key issue is whether Mukesh Ambani can afford to spend four months in working out a contract that already promises his brother's company as much as 40 mscmd. The figure includes the 12 mscmd that RIL had agreed to supply to the public sector National Thermal Power Corp. This deal, also locked in a legal dispute, is the basis on which the RIL-RNRL MoU was signed. Interestingly, the court notes that this is an arms-length agreement.

Anil Ambani has the first right on the 12 mscmd should NTPC fail to secure it. The younger Ambani also has the right of first refusal on 40 per cent of any new discoveries made by RIL. ■

LATHA JISHNU

854 m The number of people who go to bed hungry every day, according to the Global Hunger Index by International Food Policy Research Institute, Washington

IN THE LIMELIGHT: Mayawati figures among *Newsweek*'s women achievers

MAYAWATI

Hogging the global limelight

NEWSWEEK magazine recently named Uttar Pradesh Chief Minister Mayawati Naina Kumari, 51, among the top eight women achievers in the world. For someone who has always been in the news — for reasons good and bad — it came as an opportunity to tell the world how she launched a social revolution by organising the downtrodden "to stand up for their rights".

That said, she herself rose slowly and steadily in the Bahujan Samaj Party (BSP) under the tutelage of Kanshiram, the party's founder. After three short stints as chief minister of UP in 1993, 1995 and 2003, Mayawati swept the elections in May this year and won 206 of the 403 seats in the UP assembly.

In the 2007 state elections, she even chose candidates from upper castes. In the 22 October issue of *Newsweek*, Mayawati tells her life story, along with WHO Director-General Margaret Chan, actress Kyra Sedgwick and five others.

Mayawati narrates, "I was born into a Dalit family in Delhi and grew up with eight siblings in a modest home.... My father worked as a low paid clerk and my mother, an uneducated woman, toiled hard to run the family."

Her dream: "Our aim now is to replicate the winning formula in other states and prepare for the bigger struggle to capture power in New Delhi." In a recent rally in Lucknow, Mayawati called upon her cadre to start preparing for early elections. Her conclusion is simply an echo of the noises her supporters make — that of making their revered leader the prime minister of India. ■

BW BUREAU

BHEL

Clause and effect

BHARAT Heavy Electricals (BHEL) is unhappy with the Ethiopian government. And a small Bangalore-based company is to blame for it.

The bone of contention is a Rs 2,400-crore project in Ethiopia, funded by the Indian government. The project comprises three sugar plants and three power projects with a capacity of 60-80 MW. BHEL has been short-listed for supplying equipment for one power project while Bangalore's TDPS has been short-listed for two. TDPS has the capacity to generate only 40 MW units, while BHEL can produce up to 500 MW.

Understandably, BHEL is crying foul. "We are not happy with the way the Ethiopian government has carried out the tendering," says a BHEL executive. "It has violated the terms and conditions of the loan extended by India."

As much as 85 per cent of the equipment for any project has to be sourced from India, according to a clause laid down by India. But TDPS, which is operating from India under a licence from TOYO Denki Seizo KK of Japan, is sourcing its equipment from Japan into India and then promising to export it to Ethiopia. The Ethiopian government accepted TDPS' bids on the ground that the equipment will be imported from India.

BHEL is now in a deadlock with the Ethiopian government over the interpretation of the clause. "The whole point of inserting this clause was that the equipment should be manufactured in India," says the BHEL executive.

BHEL has raised the issue with the foreign ministry as well as the heavy industries ministry. Both ministries are looking into the issue. ■

VISHAKA ZADOO

TOP 10 EUROPEAN CITIES TO LOCATE A BUSINESS

BLOOMBERG

London	
Paris	
Frankfurt	
Barcelona	
Amsterdam	
Brussels	
Madrid	
Berlin	
Munich	
Milan	

Source: Cushman & Wakefield European Cities Monitor 2007

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CHOLAMANDALAM DBS

A question of valuation

CHOLAMANDALAM DBS Finance's mutual fund business — DBS Cholamandalam Asset Management (DBSCAM) — is on the block. Kotak Mahindra has been given the mandate to find a buyer for DBSCAM. While the company is denying any such move, sources say talks are stuck on valuation.

When contacted by *BW*, Cholamandalam DBS Director M.M. Murugappan said the company was not exiting the mutual fund business. "We have definite plans to grow the business and take it forward."

Many of DBSCAM's equity funds have been lagging behind in recent times. Most of them did not come out on the top in the yearly and monthly rankings of Value Research, which tracks the performance of mutual funds.

"The (equity) fund size is small now. We are working towards improving it," says Murugappan. The company's assets under management (AUM) have also declined from Rs 5,069 crore in July to Rs 3,829 crore in September, according to Association of Mutual Funds in India data. The dip is because of the high exposure to liquid funds that see variations in investor interest, says Murugappan.

Meanwhile, there were reports saying Sabre Capital — founded by former Standard Chartered CEO Rana Talwar — is in talks to take over the business for a valuation of Rs 400 crore. This, however, could not be confirmed.

Sabre and private equity giant Temasek jointly control Lotus India Asset Management Company (AMC), which has AUM of around Rs 6,400 crore.

DBS Cholamandalam is a joint venture between the $2 billion Chennai-based Murugappa group and DBS Bank of Singapore. ■

M. ALLIRAJAN

TV ADVERTISING

Conflicts of interest

SHIFTING LOYALTY: Big advertisers have threatened to pull out from TV

AN unexpected war has broken out between broadcasters and advertisers. Most media watchers have been taken by surprise at the aggression of the broadcasters in imposing the 'input surcharge' of 25 per cent on tariffs. After issuing an ultimatum a few days ago through their apex body — the Indian Broadcasting Federation (IBF) — television channels have pulled out the advertising slots of those who have not fallen in line. Big networks such as Zee TV, Star Plus and Sony have replaced their regular advertisements with public advertisements and those from small advertisers who are not members of the Indian Society of Advertisers (ISA).

In retaliation, ISA members have closed ranks and have threatened to go to court. A livid Bharat Patel, president of big FMCG advertiser P&G and chairman of ISA, has threatened to pull out advertising from television and move to alternative platforms such as outdoor and print. Expectedly, newspaper companies are already sniffing around for an opportunity.

The timing for the broadcasters is perfect. The festival season — during which corporates burn as much as 30-35 per cent of their annual ad budgets — has just begun. Television annually accounts for around 40-45 per cent of ad outlays amounting to about Rs 6,000 crore.

Media planners and advertising agencies were expecting a genially-negotiated compromise involving a hike in advertising rates of around 10 per cent. Broadcasters, not known for their unity, have obviously surprised many by their strident stand. Some see the latest strategising to increase TV revenues as the handiwork of Jawahar Goel, the new president of IBF.

Television channels have been pleading that they are giving advertisers more reach with the cable network increasing from 40 million to 70 million homes over the past two years. On the other hand, a spokesperson for the advertisers said that broadcasters are hiding the fact that they have developed consumer subscription as an alternative source of revenue. This stream contributes as much as 30-40 per cent to the income of broadcasting companies, she said.

According to Paritosh Joshi, president (advertising, sales and distribution) of Star India, there is no question of whittling down the hike as "IBF believes 25 per cent is a one year correction figure". However, after the advertisers' strong reaction on 16 October, a compromise solution seems to be emerging. Following a general body meeting on 17 October, the IBF has decided not to insist on the 25 per cent surcharge for old contracts. ■

GURBIR SINGH

$500 m

The investment announced by **Ford Motor Co.** and **Mazda Motor Corp.** in a new small car production plant in Thailand. This is the largest foreign investment in Thailand since last September's coup

RETAIL

A different route

RETAILERS are using innovative methods to expand their business by concentrating on smaller towns. The Ludhiana-based Nahar Group has decided to expand its menswear brand — Cotton County — mainly through setting up shops in tier-II and tier-III states, before foraying into larger cities.

Franchise is the chosen route, says Kamal Oswal, vice-chairman of Cotton County. Oswal says that Cotton County has the second-largest franchisee network in India, more than its main competitor Koutons. Cotton County at present has 325 stores, of which 95 per cent are through franchise route. It now plans to set up 675 more stores by 2009.

Koutons, on the other hand, has nearly 500 stores. It also has plans for expansion, with the company planning an initial public offering of Rs 150 crore and may open up 2,000 stores in next two years.

Cotton County's gameplan to catch up is to offer attractive schemes for franchisees. Through this, it aims to enter even states such as Bihar and Jammu and Kashmir, where others are reluctant to tread.

According to Oswal, Cotton County will bear the cost of inventories for the franchisees. "A store takes about Rs 15 lakh to set up, of which the investment on inventory is about Rs 7-8 lakh." In addition, the company will be willing to take back the unsold stock, which frees the franchisee from most of the risk.

In places such as Srinagar, no one gives goods on credit. But Cotton County, says Oswal, will in a way be giving a credit of Rs 7-8 lakh against which inventory will be provided.

It will be interesting to see whether other retail groups, too, will take to the franchise model to grow. ■

VISHAKA ZADOO

DILEEP PRAKASH

EYEING BIG: Small retailers use franchisees for expansion

High-Priced Domains

Some top prices paid for internet domains since 2005

Porn.com – bought May 2007 — $9.5 million

Diamond.com – May 2006 — $7.5

Vodka.com – December 2006 — $3.0

Seniors.com – July 2007 — $1.8

Tandberg.com – February 2007 — $1.5

Cameras.com – November 2006 — $1.5

Scores.com – June 2007 — $1.2

Chinese.com – July 2007 — $1.1

Fish.com – November 2005 — $1.0

Topix.com – March 2007 — $1.0

Bloomberg

TEXTILES

The Indian advantage

TEXTILES may be on the downslide in India but that doesn't deter Italian Textile Machinery (Itema) from shifting manufacturing base to India. The €667 million textile machinery company is investing €5 million to set up a spinning unit in Coimbatore. Itema expects to save 20-25 per cent in costs.

The Coimbatore unit, which will start commercial production soon, will be Itema's second plant outside Italy after China. India, with revenues of €100 million last year, ranks second to China in the company's overseas operations.

"The unit will produce mainly for the Indian market," says Gabriele Checchini, managing director and CEO of Itema India. "We would also be making components for plants in Italy." Besides producing the recently launched Two-for-One twister cosmos, new spinning machinery products will be developed in India, enabling the company to offer complete spinning line technology. Itema already has a strong foothold in India for close to a decade with seven service centres and an extensive marketing network. Earlier, a leading machine tool maker was manufacturing twister machines with Savio technology under licence from Itema.

The Itema group — which produces the popular Sulzer weaving machines — has no immediate plans to manufacture them in India despite high demand. "Producing looms outside Italy is not that easy," Checchini says. "We want to move slowly with our manufacturing plans."

In China, the group manufacturers electronic systems and shuttle less looms. ■

M. ALLIRAJAN

Private Equity

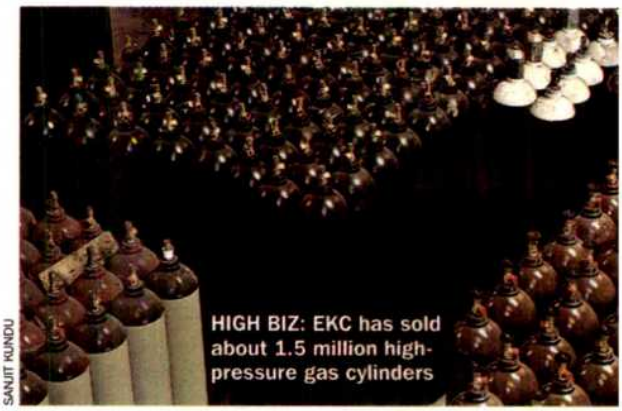
Get inside the world of start-ups, venture capital and private equity in India and Asia with the *BW* fortnightly PE Tracker

Funding for expansion

EVEREST Kanto Cylinders (EKC), already a market leader in industrial and CNG cylinder manufacturing, is all set to become a monopoly player by ramping up production capacity.

On 6 October, the Rs 345.46 crore high-pressure cylinder manufacturer announced it was raising $22.50 million (Rs 90 crore) through preferential issue of shares to two foreign private equity players. About 3.2 million equity shares were issued to TVG India Investment Holdings, while 348,027 were issued to CLSA Private Equity Management, at Rs 250 per share. A senior EKC executive told *BW* that the company was raising money to fund expansion in India. "We are looking at increasing production capacity in our Indian facilities; it is for these capital expenditures that we are raising more funds."

Two days prior to the equity issue announcement, EKC had said that it was launching a $35-million Foreign Currency Conversion Bond (FCCB). The FCCB issue will help EKC fund new machines, further investments in group companies and possible partnerships abroad.



SANJIT KUNDU

HIGH BIZ: EKC has sold about 1.5 million high-pressure gas cylinders

Some media reports indicate that EKC may be looking to acquire other companies in its line of business. The company did not comment on this matter but an executive told *BW* that the only moves planned for the next 12 months were domestic greenfield and brownfield facility expansions.

Last year, CLSA had invested $20 million in EKC, which was used to fund new facilities in China and Dubai. The company currently has three manufacturing units in Aurangabad, Tarapur and Gandhidham. The Dubai facility is already up and running.

PIERRE MARIO FITTER

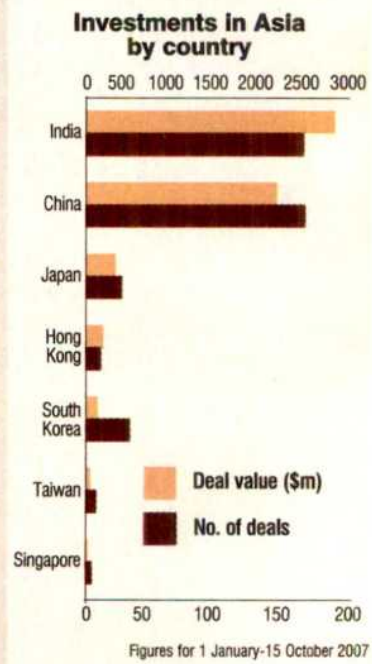
BW-Thomson Financial PE Tracker

October The Asian private equity market saw 450 deals worth $6.17 billion as on 15 October 2007. India was the largest market with 167 deals worth $2.89 billion. China was the second largest market at $2.31 billion.

Top Asia PE deals

TARGET	TARGET NATION	INVESTOR(S)	INVESTOR NATION	DEAL SIZE ($M)
Ambow Education Co.	China	CID Equity Partners, Cisco Systems, Avenue Capital Group, Macquarie Direct Investment	US, Australia	54.00
Everest Kanto Cylinder	India	CLSA Capital Partners, TVG Capital Partners	Hong Kong	22.50
MakeMyTrip (India)	India	SAIF Partners, Helion Venture Partners, Sierra Ventures, Tiger Management	Hong Kong, Mauritius, US	15.00
ItzCash Card	India	Intel Capital, Matrix Partners	US	10.00
Intrex India	India	Intel Capital, Matrix Partners	US	10.00
Amoha Education	India	SAIF Partners	Hong Kong	10.00
Intellecap	India	Legatum Capital	UAE	8.40
Career Launcher India	India	Gaja Capital Partners	India	8.25
VIVCO	Vietnam	Mekong Capital	Vietnam	5.40
Hurix Systems	India	Helion Venture Partners	Mauritius	5.10

Figures for 30 September-13 October 2007



Figures for 1 January-15 October 2007

The online rush

INDIA'S nascent online travel retail market is heading for a boom. According to research firm Euromonitor, India will be a leading player in the online travel space by 2010 and revenues from internet-based travel retail transactions will kiss a cool $2 billion.

One of India's leading travel portals, New Delhi-based MakeMyTrip.com, recently closed its third round of investment of $15 million from Tiger Fund and the three existing venture capital (VC) investors — SAIF Partners, Helion Venture Partners and Sierra Ventures. In the current round, Tiger Fund invested $8 million, while $7 million was put in by the return backers. MakeMyTrip has so far received a total of $39 million in venture capital.

This could probably be the last round of VC investment for MakeMyTrip.com as the next step would be to go in for an IPO. But CEO Deep Kalra believes that this is not enough scale for an IPO. "We are concentrating on making this a profitable venture by 2008."

By March 2008, MakeMyTrip is targetting a turnover of Rs 1,200 crore. Its turnover was Rs 562 crore in last fiscal, which was up by 180 per cent against the turnover of Rs 200 crore in 2005-06. Its conversion rate of total page views is 6-8 per cent. Its total earning, in the form of commission, is $20 million (Rs 80 crore). Kalra says that the company's current focus is on increasing online hotel booking. "About 70 per cent of our revenue comes from ticketing and the rest from hotel and holiday packages."

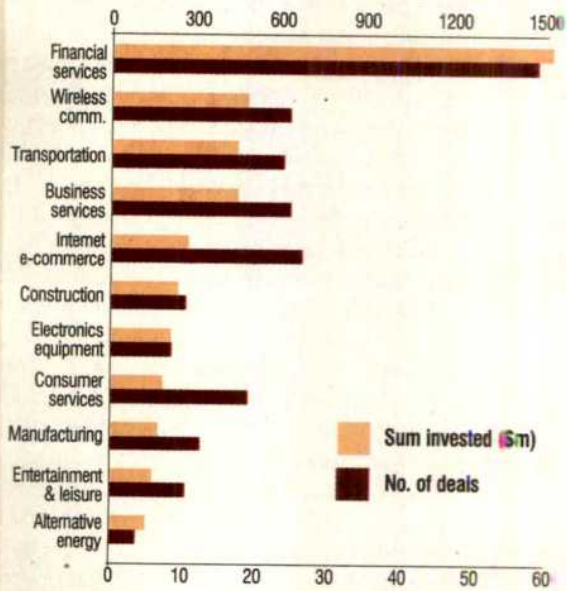
According to one of the fund partners of MakeMyTrip.com, the number of people trading online has increased over two-fold in the past two years. "With the increase in support from the government towards the internet usage, we are certain that it will be the key driver for the growth of online travel market."

All the main competitors of MakeMyTrip.com — Travelguru.com, Travelmartindia.com and HolidayIQ.com — have received VC funding. ■

MEGHANA BIWALKAR

GRABBING EYEBALLS: The online travel biz is booming

Asia PE investment by sector



Figures for 1 January-15 October 2007

Top India PE deals

TARGET	INVESTOR	DEAL SIZE ($M)
Everest Kanto Cylinder	CLSA Capital Partners, TVG Capital Partners	22.50
MakeMyTrip (India)	SAIF Partners, Helion Venture Partners, Sierra Ventures, Tiger Management	15.00
ItzCash Card	Intel Capital, Matrix Partners	10.00
Intrex India	Intel Capital, Matrix Partners	10.00
Amoha Education	SAIF Partners	10.00
Intellecap	Legatum Capital	8.40
Career Launcher India	Gaja Capital Partners	8.25
Hurix Systems	Helion Venture Partners	5.10
NetXcell	Undisclosed venture firm	2.00
ICSA India	Merrill Lynch Venture Capital, Morgan Stanley Private Equity	NA

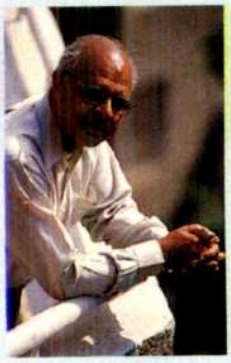
Figures for 30 September-13 October 2007

Sum invested is actual money taken down or disbursed to portfolio companies. PE deals are classified as investments where the investor is a PE firm. The above tables do not include investments made by angel investors, hedge funds, trusts and corporate investors. Such investors are taken into account only when they have invested alongside PE firms.

Log on to www.businessworld.in for the complete list of deals

comment

by ashok v. desai



How it looks from Raisina Hill

P Chidambaram, in an address he gave in Wharton School on 27 September, gave his version of the Indian miracle. In his view, there always was Indian enterprise. But till 1991 it was local, for the government did not allow it to step out. Till 1947, an Indian company that wanted to venture abroad had to seek patronage of a British company. Thereafter it had to seek the Indian government's permission. Both turned out to be insuperable obstacles. Then came the "shock of liberalization" in 1991; it portended abandonment of dirigisme, and advent of openness and competition. Some big industrialists opposed the reforms; they have slunk away or died out. Others became lean and throve in the new environment. And many new entrepreneurs emerged. More recently Indian businessmen have gone global — some in pursuit of markets, some in a quest for natural resources, others to broaden their technology, and many just to grow. The result is that some Indian firms have joined the world's top firms, while others are racing up to the top. This race has led to investment abroad, chiefly through acquisitions. The dynamic businessman, at home in the world, is the new face of India.

This picture of Indian business on the march is essentially accurate; Wharton School was the right place to highlight it, and now is a good time to do so. Audiences generally expect finance ministers to advertise their country, trumpet its achievements and draw a veil over its blemishes. But the conditions just now are so good that the Wharton audience would have had little room for skepticism. Still, now that the finance minister is back in India, cavilling Indian voices cannot be outside his hearing.

One of them could well be that of his Prime Minister, who might have missed his mantra of Inclusive Growth in Chidambaram's speech. It would not have been too difficult to throw in some boasts about how much the government was doing to advance this aim. Mr Chidambaram need only have read the opening paragraphs of his budget speeches, and rattled off such schemes as National Rural Employment Guarantee, Sarva Shiksha Abhiyan, and Antyodaya Anna Yojana. He intones these pregnant words on the last day of every February. They are supposed to impress his countrymen; I wonder why he did not use them to dazzle his Wharton audience. Maybe they would not be so easily bamboozled as Indians. But more likely, he treats the budget speech as a ritual, whereas in Wharton he tried seriously to communicate and persuade.

At a deeper level, however, one could gently debate Mr Chidambaram's message. It is not quite true that Indians did not venture abroad in British times; on the contrary, far more Indian businesses were set up abroad, under the protection of the crown, than since independence. One only has to travel to the erstwhile British colonies — Fiji, Mauritius, South Africa, Trinidad — to find how important Indian businessmen are there. It is just that they kept no connection with India. Indians did business in India because they had no choice — they were not rich or knowledgeable enough to venture abroad. But those Indians who were forced or induced to go abroad made their fortunes there; they never gave India a second thought.

That has not changed all that much despite liberalization. An occasional Lakshmi Mittal who has made his fortune abroad looks with interest at India because of its iron ore. But by and large, Indian businessmen who have done well abroad still avoid India. If Mr Chidambaram had noticed this fact, he might profitably have pondered why. Despite its soaring growth, despite its exploding markets, India still frightens foreign entrepreneurs, especially Indians who know something about it. It is still a bad place to do business in, largely because of intrusive, obstreperous and arbitrary governments. And if Mr Chidambaram had seen this, he might have begun to do something about it. That is what matters: India needs to reform, deregulate, liberalize much more. ■

Indians who have succeeded abroad seldom invest in India; despite the vaunted reforms, India's governments are still too obstructive

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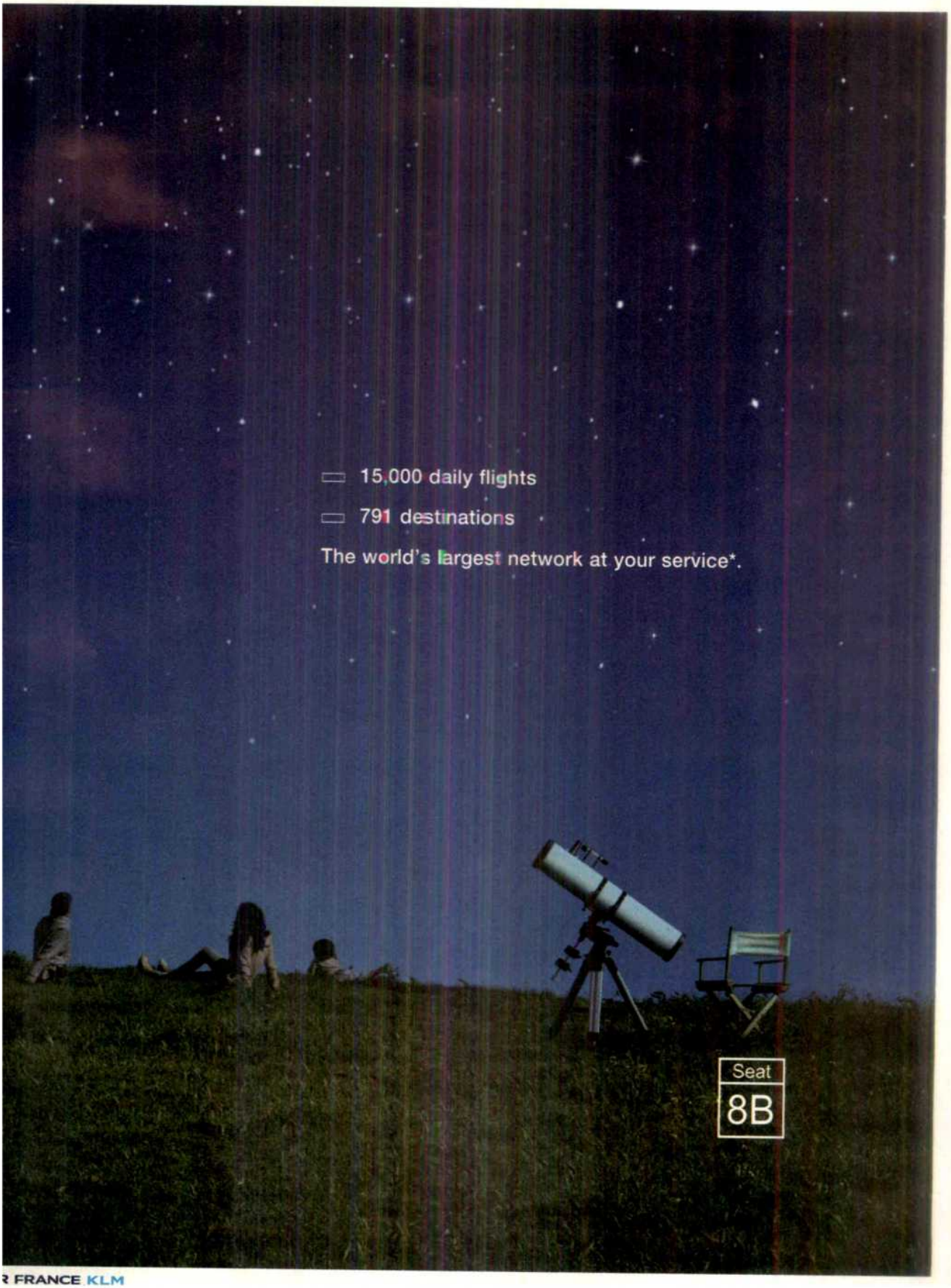

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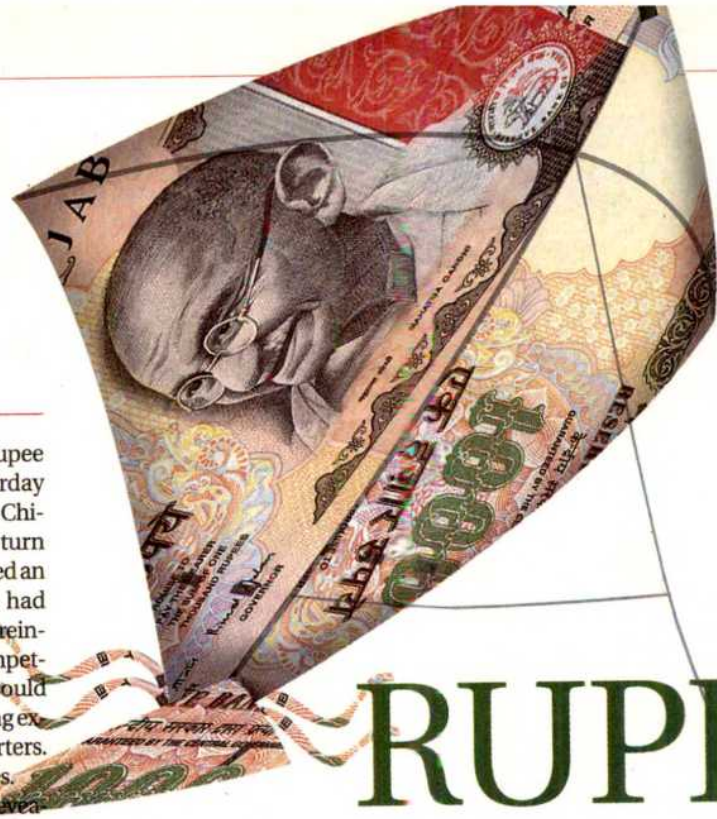

RUPEE scare spreads

The government fears a rising rupee will hurt the domestic industry more than exports

PUJA MEHRA

THE tipping point in the rupee debate came last Saturday when finance minister P. Chidambaram made a U-turn and declared it had entered an uncomfortable zone. Till then, he had staunchly resisted the clamour for reining in the rupee to keep exports competitive. His contention was the RBI could not be expected to take up managing exchange rate risk on behalf of exporters. They would have to do it themselves.

North Block's biggest concern, revealed a top finance ministry source, is no longer just the slowdown in exports. Instead, a deluge of imports, which are getting cheaper as the rupee's purchasing power is rising, would soon flood shops, he said. If this happens — the rate of dollar investments inflows makes it hard to forecast otherwise — domestic industry will begin to lose market. The Confederation of Indian Industry (CII) says the disturbing trend is already seen in the case of standardised auto components, chemicals, textiles and tyres. If domestic producers continue losing out to imports, the capacity expansions they are furiously building across industries would go under-used. That would dent profitability and leave companies with little cash or even need to reinvest in further capacity additions. Without expansions, the investment-led economic growth would ultimately sputter out. North Block's fears seem reasonable given the rupee's arcless trajectory.

The rupee's meteoric rise of 8.1 per cent since April has coincided with buoyancy in imports. Imports surged 31 per cent during the first five months of 2007-08 over the corresponding period last year. More significantly, non-oil imports — up 43 per cent between April and August — are pulling the statistics up, rather than oil products.

The jury is out on the level of the rupee that would turn the scare into inevitable reality but there is unanimity on the merit of the argument. "Productivity enhancements cannot keep pace with such sharp spikes," says Delhi-based rating agency Crisil's Director and Principal Economist D.K. Joshi. He fears Indian companies would not sustain for more than six months.

It is clear from last week's events other than containing inflation, the attempt will also be to hold on to the rupee. Chidambaram walked the talk on Wednesday by signalling dollar inflows will be contained. "The government proposes to take measures to moderate capital inflows," a finance ministry release said after Sebi proposed curbs on anonymous foreign inflows into the stockmarket. The motive behind the shift in Chidambaram's stance — politics of populism or commitment to economic growth — can be debated but its outcome is unambiguous. The uncertainty that the policy flip-flops inflicted on currency markets will ease, at least for the time being. ■

8 August 2007

"We have taken note of the exporters' short-term pain but they must get used to a stronger rupee. When the economy is growing, the rupee can not stay weak"

P. Chidambaram
Finance Minister

13 October 2007

"The rupee has entered an uncomfortable zone. We must find ways to manage a competitive exchange rate without hurting investments"

TRIBHUWAN SHARMA

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We spoke to one such Fiesta - happy person to understand why he loves the car.

VALUE FOR MONEY WHEELS

In December 2006, Venugopal Nair, addl. director general of police & chief vigilance officer, was considering buying a second car. His first was a diesel sedan and he was looking for a petrol replacement. Nair says that all he had heard and read about the Fiesta was encouraging. "The car is ready for Indian conditions-it is sturdy and has better ground clearance than most cars in its class. And it has all the comfort features of a luxury D segment car for the price of a lower segment. It's great value for money!"

PERFORMANCE

In the six months since he has owned it, Nair says that it has been performing very well on all counts. "A regular person doesn't really take note of torque on low revs and such technical details. He is more interested in the comfort and mileage. Performance for him means no stalling at traffic signals and good pick up to get him going in city crowds," he says. And that is precisely what the Fiesta had to offer.

In our Fiesta feature ranking, Nair, awarded the headlights, brakes and suspension 'excellent' rank. He points out that for him and his peers, people who are looking for a second car, the criteria is not just great performance, but comfort combined with performance. "Fiesta is a car in which you can drive or be driven it. The feel of the car is great and that is what I tell any of my friends to whom I recommend the Fiesta," says Nair.

HANDLING

"I'm really not one to zip through. I do mostly a 60 or 70 and if the road is good, maybe a 80. The Fiesta is built for most speed, but even at 80, it handles very well. There are no vibrations or anything," says Nair. He is happy with the mileage of the Fiesta as well.

COMFORT

The features of the Fiesta is what got the attention of Nair. "It has tubeless tyres, ABS, infact, almost all the features of a more luxurious car. Their service network is also great," he adds. The macho looks of the car was another big plus. "It reminds me of the Ford Mustang. Well, not as stylish, but the Fiesta is a toned down version of the Mustang. It's very male," he says.

Nair says that the Fiesta is perfect for yuppies. "It is great looking has great grip. There is lots of space in the rear seat, so it's good for families as well. But mostly the attitude and style is right for yuppies," according to him.

Another reason he loves the Fiesta for is because it is a high car. "I am a tall, well-built fellow and for someone like me, getting in and out of a car is always difficult. Fiesta, with its better ground clearance, is perfect that way," he says.

PROMOTION

Media rides modernity

The Indian Readership Survey gives an insight into changing urban trends which could dictate media growth in the country

GURBIR SINGH

THE metamorphosis of India from a semi-feudal to modern country is well captured in the just-released Indian Readership Survey (IRS), which maps Indian consumers and their media consumption habits.

Critics of the 'India Shining' slogan will feel vindicated by the news that the divide between urban and rural India is widening and that economic growth in metros is more pronounced than in villages. Rural households are also getting smaller as the children migrate to cities in search of better opportunities, according to the survey released by the Media Research Users Council and collated by Hansa Research. The survey gathers its data by speaking with about 2.5 lakh respondents over a period of 10 months every year.

For media, these trends have important takeaways. The total population has grown by 92 million since 2003 and the media audience has gone up by 86 million. At the head of this growth are cable & satellite TV and FM radio, which recorded growth rates of 40 per cent and 64 per cent respectively.

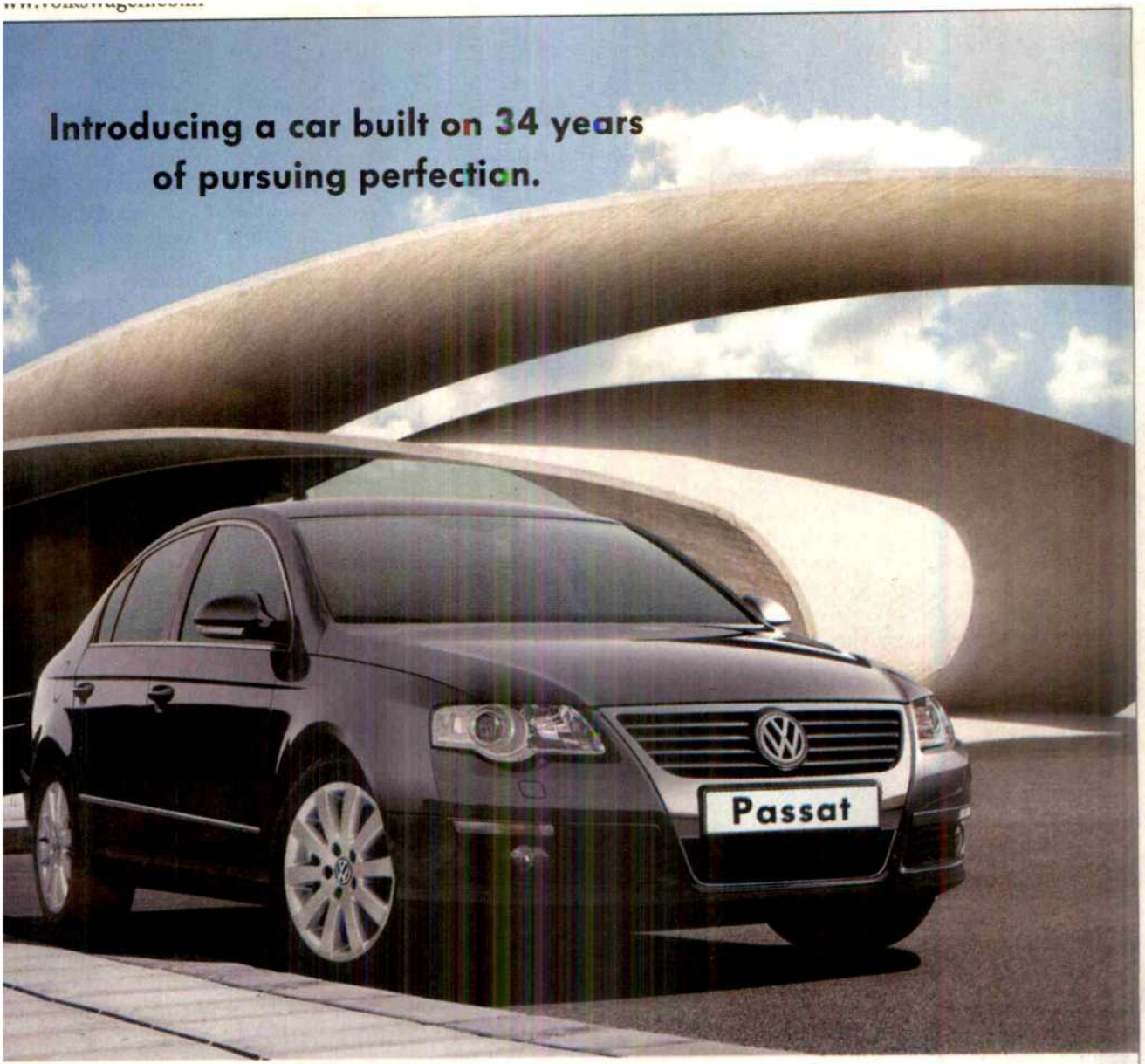
The higher income classes have grown faster in Class-I towns (with population of 10 lakh and above) while lower income categories have grown faster in Class-II towns (with population below 10 lakh but above 1.5 lakh), indicating that different media genres and media plans will drive growth in these categories of towns. The media will grow accordingly. While radio and tabloids will dominate the growth in Class-II centres, cable TV and internet are projected to grow faster in Class-I towns.

Rapid urbanisation is also evident as the urban growth rate is twice that of rural India. Urban India grew 15 per cent since 2003 compared to rural's 6.5 per cent. Within this rapid urbanisation is the worrying trend that there is concentration of the working population at the two opposite income poles.

Bad News For The Vernaculars

Print media barons have reason to be worried by the survey. It says the erosion of reading habits is not confined to the English language market, but is beginning to hit many top-performing vernacular publications as well. For instance, the national average issue readership of *Dainik Jagran*, the No. 1 Hindi language newspaper,

www.volkswagen.co.uk



Built by Volkswagen, the No.1 car brand in Germany and Europe*, the Passat TDI has been carefully perfected over many decades. Which is the reason why its fans include over 14 million customers as well as the judges of the most prestigious car awards. However, opinions vary on what exactly is the reason for such universal acclaim. Some believe it is the economical yet powerful TDI diesel engine that makes even the longest journey seem almost unfairly short. Others link it to the 6-speed DSG gearbox that lets you switch from automatic to manual at the switch of your mood while others believe it is the 12-way seat adjustment system that always keeps you in superlative comfort. The meticulously built Passat TDI has arrived.
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*Data published by Kraftfahrt-Bundesamt (Federal Motor Transport Authority in Germany) and ACEA.

For further details, please contact our authorised Volkswagen dealers:

has fallen by 4 per cent, from 17.11 million to 16.5 million in just the last six months.

Malayala Manorama, the Malayalam daily, has lost 2 per cent of its readers and the Tamil daily *Thanthi*, the country's fifth-largest publication, recorded a 5 per cent loss in readership.

Some among the country's top 10 print brands have bucked the downturn, but there is no galloping growth in their numbers. *Dainik Bhaskar*, the country's second-largest newspaper, grew by 2 per cent with a national readership of 12.8 million. Similarly, *The Times of India* grew by 1 per cent with 6.83 million readers. The only substantial increases were recorded by *Rajasthan Patrika* — a growth of 7 per cent with 7.4 million readers and the Bengali language *Ananda Bazaar Patrika*, which grew 5 per cent to win 6.9 million readers. (Note: *Ananda Bazaar Patrika* is owned by the ABP Group, which also owns *BW*).

The trend of a plateauing print readership was already evident in figures released six months ago, when most of the Hindi and other regional language dailies recorded a decline in readership. That is in sharp contrast to the 2003-05 period, when greater education and job opportunities in the Hindi language belt helped most Hindi dailies, such as *Bhaskar*, *Amar Ujala* and *Hindustan*, to record double digit growth figures as they raced to open new editions.

Their growth broke the domination of southern brands such as *Malayala Manorama*, the Tamil *Thanthi* and the Telugu *Eenadu*, which had so far been India's largest-selling publications. However, once the initial vacuum was quickly filled by the Hindi papers, competition from alternative media, such as television news stations has slowed their growth.

"We are not worried about the figures and the print industry is doing well," says a spokesperson for the Bhaskar Group. "It is a temporary hiatus and you will see absolute growth in future rounds. *Jagran* has shown a 'degrowth' because they have not added new centres, while in *Bhaskar's* case we have added three centres including Punjab, Jamnagar and Rajkot that have not been reflected in this round".

In the top 10 print brands, the major change this year was the dropping out of the Marathi daily *Lokmat*. Replacing it is *The Times of India*, the only English daily in the Top 10. In the last round *Times* had dropped to No.11.

There has been stagnation in newspaper circulation worldwide but the World Association of Newspapers (WAN) has claimed a circulation growth of nearly 2 per cent in 2006. Releasing the results in May in London, Gavin O'Reilly, President of WAN and Chief Operating Officer of Independent News & Media, which has a 26 per cent stake in India's *Jagran*, said, "The prognosis for newspapers is actually quite different to conventional wisdom."

WAN's circulation list showed China topping the list with a circulation of 93.5 million newspapers a day. India came second with 78.8 million, followed by Japan, with 70.4 million; the US with 48.3 million; and Germany, with 22.1 million. About 75 of the 100 best-selling newspapers are Asian and seven out of the top 10 are Japanese. Print still has a grip over advertising budgets, which continues to make the industry a long-term player. V. Sudarshan, general manager at Hansa Reasearch that collates IRS data, estimates the print industry is garnering 52-55 per cent of the Rs 16,000-crore advertising pie in the country compared to 38-40 per cent for television.

Top 10 English publications

Daily	The Times of India	135
Weekly	India Today	71
Daily	Hindustan Times	61
Daily	The Hindu	53
Monthly	Reader's Digest	49
Monthly	General Knowledge Today	44
Monthly	Filmfare	37
Monthly	Competition Success Review	33
Daily	The Telegraph	30
Daily	Deccan Chronicle	30

Source: MRUC

Top 10 Hindi publications

Daily	Dainik Jagran	536
Daily	Dainik Bhaskar	306
Daily	Amar Ujala	282
Daily	HIndustan	235
Daily	Rajasthan Patrika	132
Daily	Punjab Kesari	109
Fortnightly	Saras Salil	106
Monthly	Grih Shobha	79
Daily	Aj	76
Weekly	India Today	70

Figures are readers in million Source: MRUC

The Social Indicators

Gender equality advocates should feel encouraged by the fact that the gender skew is gradually shifting in favour of the woman. Women were 48.1 per cent of India's population in 2003. That figure is now 48.7 per cent, perhaps an indication that the campaign against female infanticide is working.

In the same period, the number of working women has also grown from 6.5 per cent to 8 per cent in urban India and from 14 per cent to 16 per cent percent in rural India. The trend towards a younger India is also evident in the survey.

While youth in the age group 20-39 years accounted for 44.2 per cent of the population in 2003, they now make up 46.9 per cent. Another positive that emerges from the survey is that illiteracy has reduced significantly, especially in rural India, where it has fallen just below 40 per cent for the first time in India's history. The percentage of people that received education below SSC levels has also increased from 40.9 per cent in 2003 to 43.4 percent.

However, the trends in higher education are worrisome. The number of graduates in urban India has stagnated at 11.8 per cent of the population since 2003, while in rural India there was a marginal increase to just 2.4 per cent.

The IRS survey indicates that single income households have gone down in both rural and urban areas, whereas the number of families with two or three earning members is on the rise. In rural India for instance, the percentage of households with two earning members rose to 33.3 per cent this year from 31.6 per cent in 2003. Households turning towards nuclear families, a sign of the breaking up of patriarchal structures, is also on the rise. For instance, in rural India joint families with seven members or more dropped from 24.3 per cent to 22.4 per cent. ■

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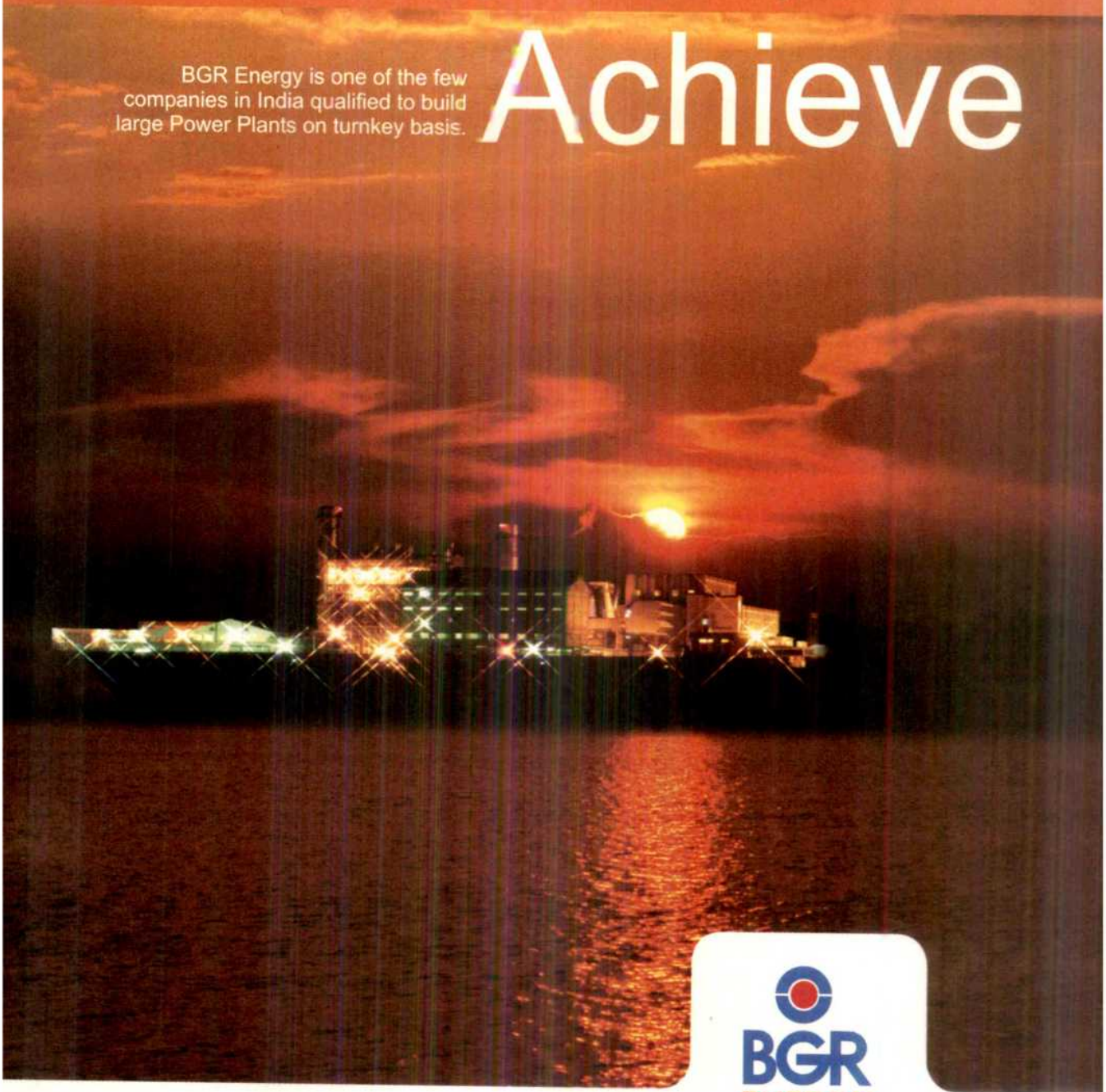

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EPC: • 92.2 MW CCPP, TNEB • 25 MW Coal-fired TPP, Sterlite Group (MALCO)

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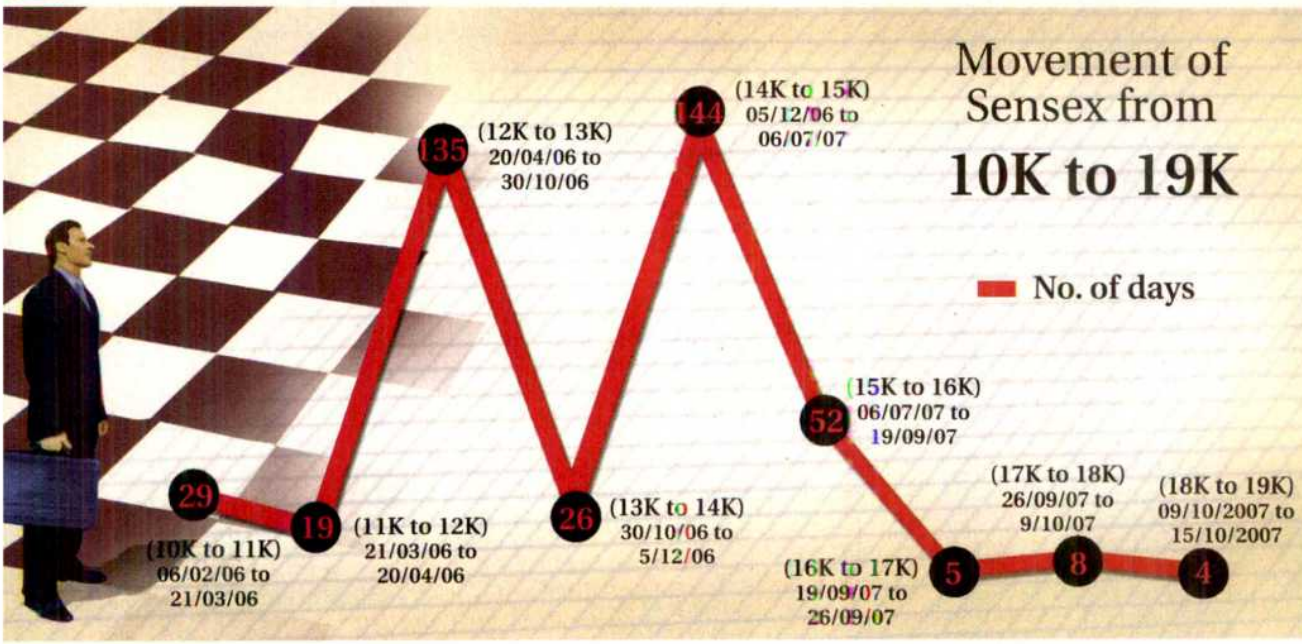


Graphic: KISHORE DAS

Capital punishment

This week's volatility in the stock markets points to the dangers of capital control on FII inflows in the guise of transparency.

By Dinesh Narayanan and P. Vaidyanathan Iyer

THE phenomenal surge in the Bombay Stock Exchange Sensitive Index (Sensex) since 31 August has people wondering whether the Indian stock-market has become a casino for global high rollers. These players — otherwise known as foreign institutional investors (FIIs) — have confounded regulators and even thrown sand under the wheels of monetary policy.

Observers are looking for clues to explain the explosive Sensex movement. It is clear that a few stocks account for the bulk of the rise. Many suspect that it is not only foreign money but also round tripping — promoters taking money overseas and investing in their own stock through the FII route — that is fuelling the surge. The much-maligned participatory notes (PNs) are under intense scrutiny and some believe that funds borrowed abroad for local projects are also working their way into Indian shares.

The market movement has certainly sent the government into a tizzy. The Securities and Exchange Board of India (Sebi) is now examining the past few weeks' trading trends of Reliance groups' stocks to check if some FIIs had targeted them to boost the 30-share Sensex to an astonishing 19,000 in a matter of days. Market surveillance experts at Sebi are poring over reams of data in search of patterns that could confirm fears that concentrated trading was occurring in Reliance Industries, Reliance Industrial Infrastructure, Reliance Communications and Reliance Energy.

The first two companies are part of Mukesh Ambani's Reliance Group and the other two belong to Anil Dhirubhai Ambani Group. The trading patterns of Jai Corp shares, a company run by Mukesh Ambani's close associate Anand Jain, are also being checked, a top source told *BW*.

Three stocks — Reliance Industries, Reliance Energy and Reliance Communication — in the Sensex have contributed the most to the index's rise.

A *BW* analysis of the stocks' behaviour between 27 September and 16 October shows that the three stocks alone contributed 732 points or nearly 40 per cent to the index's rise from 17,150 to 19,052. Their combined weightage in the Sensex was 20.8 per cent on 27 September and 22.9 per cent on 16 October.

But such probes often hit a dead end because of a lack of concerted effort from various agencies that could establish clear money trails and linkages.

TRENDS OF THE RELIANCE GROUPS' STOCKS

COMPANY NAME	CLOSE PRICE (=16/10/2007)	CLOSE PRICE (=27/09/2007)	RETURN (%)
RELIANCE COMM*	760.65	582.8	30.52
RELIANCE ENERGY*	1,904.4	1,117.25	70.45
RELIANCE IND.*	2,643.3	2,320.2	14.14
BSE SENSEX	19,051.86	17,150.56	11.09
ANIL AMBANI GROUP			
ADLABS FILMS	703.65	524.10	34.26
RELIANCE CAPITAL	1,946.20	1,484.10	31.27
RELIANCE COMM	760.65	582.80	30.52
RELIANCE ENERGY	1,904.40	1,117.25	70.45
RELIANCE NATURAL	95.75	86.70	10.44
MUKESH AMBANI GROUP			
RELIANCE IND.INF	2,384.9	1,328.15	79.57
RELIANCE IND.	2,648.3	2,320.2	14.14
RELIANCE PETRO	183.75	151.1	21.61

Figures in Rs *These companies are part of the Sensex Source: BSE

Ways And Means

One of the reasons why regulators are unable to nail such manipulation is the use of offshore derivative products or participatory notes that help hide the true identity of the actual beneficiary of an investment. In 2005, Sebi made an unsuccessful attempt to get UBS Securities Asia to reveal the real identity of six of its clients, which it suspected contributed to a market crash on 17 May 2004.

In an order issued a year after the crash, Sebi had said, "It was suspected that the steep market fall on 17 May 2004, could have been triggered as a result of UBS playing ducks and drakes with the market, accentuating the selling pressure for no reason linked to the fundamentals of scrips or their performance." Yet a year-long investigation and several hearings later, Sebi was unable to ascertain the true identities of the ultimate PN beneficiaries. To add to its woes, the Securities Appellate Tribunal overturned its order and the case is now in the Supreme Court.

What Goes Around, Comes Around

Ever since India became a hot destination for foreign investors, PNs have given regulators sleepless nights. RBI Governor Y.V. Reddy has been pushing to get participatory notes banned for several years, saying that it is an opaque instrument and it is difficult to identify their source of money.

In January 2005, Reddy had said that giving better incentives to foreign investors over domestic ones raised the possibility of 'round-tripping'. Pushing for more controls on FII flows, he said that "the impact of such flows on the stock markets is discernible, but (is) perhaps less evident at this juncture in corporate ownership and control".

It is almost an open secret in the Indian stockmarket that powerful local moneybags and promoters resort to round-tripping to invest in shares. "There is certainly round-tripping. Otherwise how can so much money come into the stock market? If PNs are used for this, they must be banned," says Anil Singhvi of Ican Investments, an advisor to European fund Notz Stucki.

Singhvi adds that it is clear promoters are bringing in money they raise through ECBs into the stock market. "Those who raised ECBs have a double advantage — they gained from the rupee appreciation and then pumped that money into the market."

A government official, who does not wish to be named, says there is a strong hunch that Indian promoters and even some politicians are bringing back funds parked overseas into the stockmarkets through the PN route. "It is difficult to establish this trend, but some agencies like the Financial Intelligence Unit have been asked to probe this aspect," he says.

Too Much Participation

But, the current proposal of the government and the regulator to block the PN route is more to curb unbridled capital inflows than to check its misuse. Sebi is expected to approve a ban on PNs that use derivatives as their underlying security when its board meets on 25 October. In a discussion paper put out for public comments on Tuesday, it also proposed a ban on sub-accounts from issuing PNs and a cap on the proportion of PNs in FII portfolios at 40 per cent.

This news set off the biggest intraday fall ever seen in the Indian markets. The 30-share Sensex plunged nearly 10 per cent or 1,743 points in the first two minutes of trading on Wednesday, forcing exchanges to halt trading for an hour. But the market rapidly scaled up when trading resumed, wiping out most of the losses. FIIs sold a net Rs 2,012 crore, according to provisional numbers on the NSE website. Yet their gross buying was nearly Rs 5,900 crore.

"Today, shares worth nearly $1.5 billion (Rs 6,000 crore) were sold and it would be interesting to know who bought them. The colour of that money is green. Who knows how many times the money that is coming in has changed hands," said the head of a top institutional broking firm on Wednesday.

The Sebi discussion paper added to the confusion in the market. Even though it said that renewals of PNs

The rise and rise of money

Total no. of approximately registered FIIs: **1,100** PN issuers as on date: **34** Sub-accounts approximate: **2,500** PN issuers on 14 March 2004: **14** Value of PNs (March 2004): **Rs 31,875** crore or 20% of assets in custody Value of PNs (August 2007): **Rs 353,484** crore or 51.6% of assets inr custody PNs with derivatives as underlying: **Rs 117,071** crore or 30% of total PNs

What Sebi has proposed

THE 17 October mayhem in the stockmarkets was caused by a Sebi discussion paper that has proposed to choke foreign portfolio inflows by restricting the use of offshore derivative instruments commonly known as participatory notes (PNs).

Participatory notes are receipts issued by foreign institutional investors (FIIs) to clients who do not wish to take direct exposure to Indian equity or derivatives. Instead, the clients purchase PNs from the FIIs who invest the money in Indian assets. Currently, about half of the portfolio inflows come through PNs, a popular instrument with hedge funds who like to move in and out of markets quickly.

The measures planned by Sebi include disallowing FIIs and their sub-accounts from issuing PNs that have Indian derivatives such as stock futures, as the underlying. They will also have to wind down their current positions within the next 18 months.

Sebi also wants a cap on the value of the PNs that FIIs can issue in the future. If the proposals are approved by the Sebi board at its 25 October meeting, FIIs will have to restrict PNs outstanding to 40 per cent of the assets in their custody. If FIIs currently have PNs outstanding that have a notional value of less than 40 per cent, they will be allowed to issue PNs at an incremental rate of 5 per cent annually of their assets in custody in India. ■

against derivatives would not be allowed with immediate effect, it clarified on Wednesday that renewals could continue for the next 18 months.

The pace of the market may have pulled the trigger, but the change of heart at North Block and Sebi's blocking of the PN route did not come about overnight. In fact, Sebi, RBI and the ministry have been at loggerheads over the issue for a long time. But clearly the move, a senior government official admits, is not so much driven by concerns of the quality of money, as worries of the quantity. FII inflows during the current fiscal year have topped $17 billion (Rs 68,000 crore), almost 70 per cent more than the total record inflows of $10.5 billion (Rs 42,000 crore) in 2005. The government estimates that nearly $10 billion of the total $17 billion has come through the PN route.

What Now?

Kotak Mahindra Bank Vice-Chairman and Managing Director Uday Kotak says a solution in the medium term is to register FIIs in India in a transparent manner. "It is heartening that Sebi can register them (the FIIs) directly," Kotak says. The finance ministry and the RBI are also worried about the impact on the rupee, which has risen almost 12 per cent against the dollar since January 2007. By moderating capital inflows, the finance ministry hopes that the RBI would have more leeway in the currency market and room to manage runaway liquidity.

Not everybody believes that inflows are going to slow down. Former RBI Deputy Governor S.S. Tarapore told a conference on risk management hours before the ban was proposed on Tuesday that the government would have to give some serious thought to controlling capital flows. "My fear is that all measures taken so far would not suffice to stem the avalanche of capital inflows in the current financial year," he said.

Various measures may sterilise an additional $25 billion (Rs100,000 crore), but what should be the policy response in the second half of 2007-08 if the capital inflows are way above this figure? "In such an eventuality, the authorities would need to give serious attention to imposing an unremunerated reserve requirement on all capital inflows under which, say 10 per cent of the capital inflows are deposited with the RBI for a period of one year," Tarapore suggested.

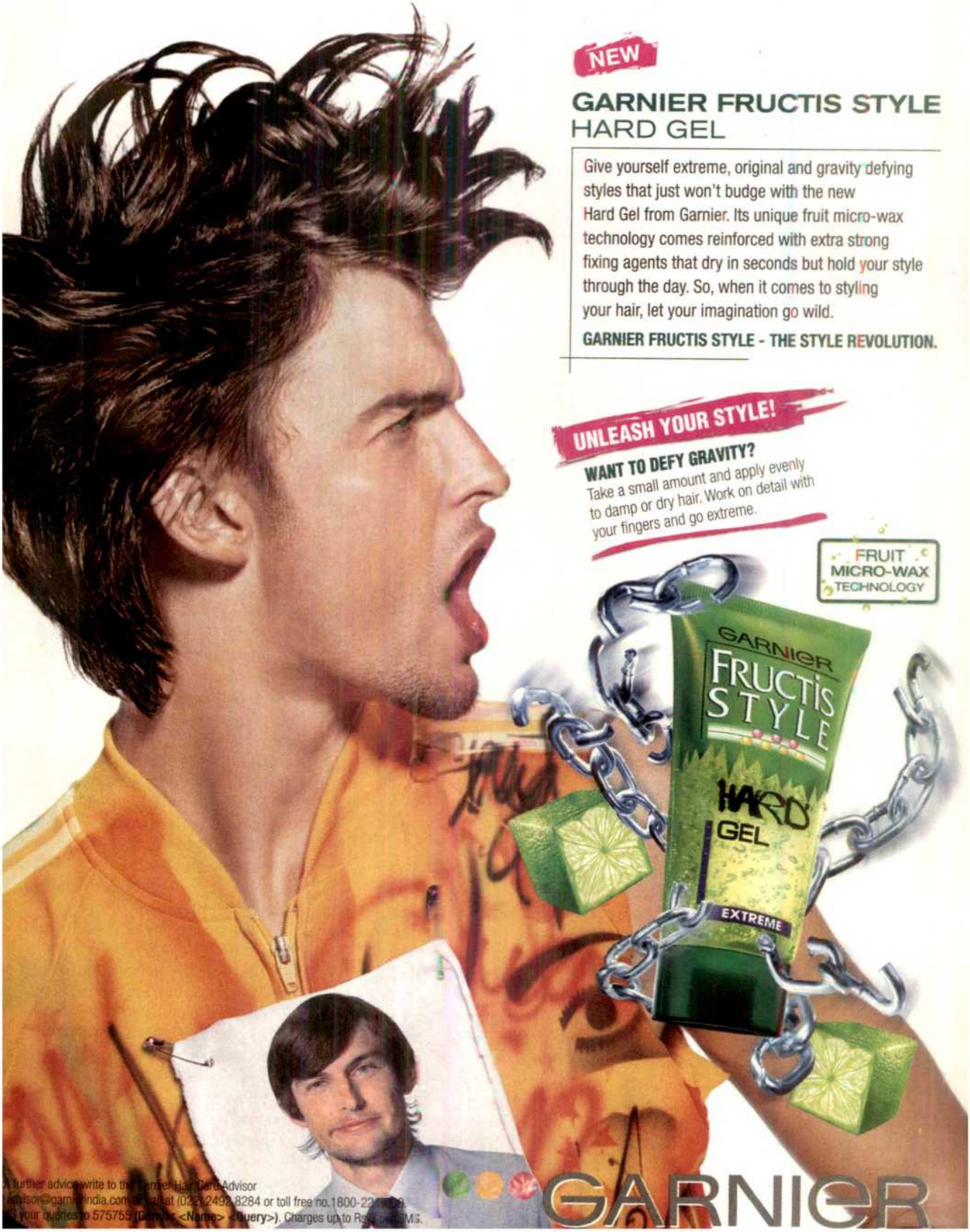
"The move (to ban PNs) is clearly about capital controls and not know-your-customer norms or securities regulation," says Ajay Shah, former advisor in the finance ministry. "If a promoter is bringing money parked abroad back into the stockmarkets, it only reflects his confidence in India. The government must welcome this, and help him do it legally." Shah says rich families and promoters have historically got around the rigid capital control regime.

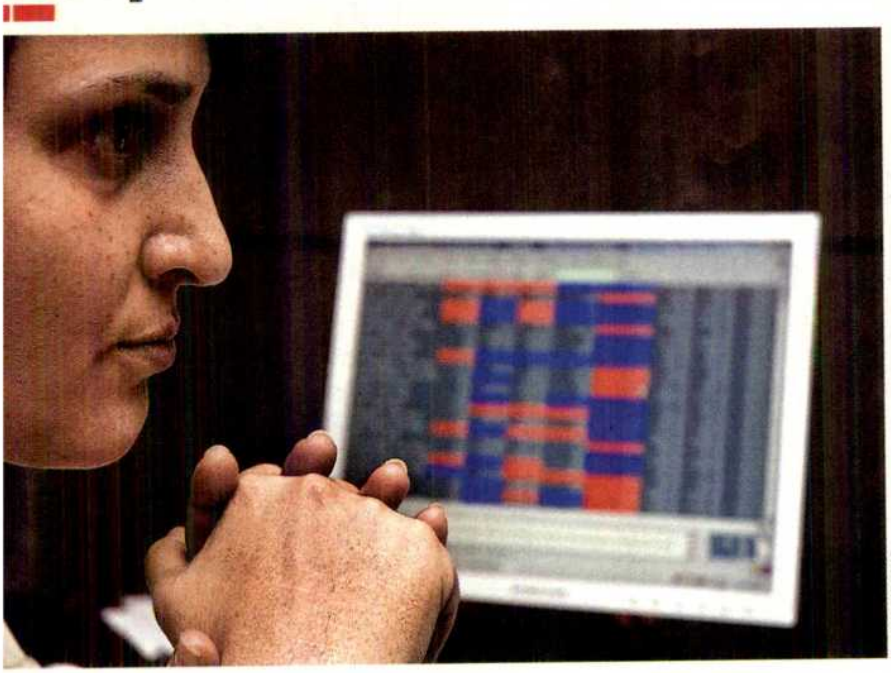
A few days ago, the market euphoria had some predicting the Sensex would reach 20,000 before too long. As the index continues to advance at a surprising rate, those predictions are being revised — upwards. There appears to be no shortage of believers in the Indian stockmarket story who back their belief with more capital flows. But monitoring them would remain a regulatory nightmare.

As Sebi said in its 2005 UBS order, "(the) case has highlighted serious regulatory concerns, in that the participatory note route and its cover of anonymity is being used by certain entities without there being any real time check, control and due diligence on their credentials. Such a lapse has very grim portents as far as the market integrity and interest of investors are concerned". ■

With inputs from Baiju Kalesh, Raghu Mohan, Abhishek Chaudhary and Rajesh Gajra

DULL GETS DARING!





SUBHABRATA DAS

ALONE, AND NOT HOME: The yo-yoing Sensex makes Dhaka pensive

Day in and day out

RAJESH GAJRA

She is like the Fearless Nadia in the stockmarket, with a strong passion for day trading in a male-dominated and volatile market

WHEN *BW* contacted Archana Dhaka on the afternoon of 16 October seeking to track her activities the next day — 17 October — neither had any inkling of how turbulent the market would be. That evening, Sebi's proposal on the participatory notes was made public, and Dhaka's antenna was buzzing, like it must have been for thousands of day traders across the country, as they all awaited sunrise.

10 AM: There is nervous excitement in the dealing room. Dhaka — the lone female in what is a male-dominated bastion — is in her element, with 8 or 9 other day traders. The Sensex and Nifty start 10 per cent down as soon as the markets open, and the exchanges announce a one-hour trading halt. Everyone is relieved. Dhaka gets chatting. "Trading is my passion, it gives me a high." But she has her feet on the ground. Everyone one wants to make a lot of money, but you can do so only if you are destined to, she says. "There are several obstacles."

She should know, having gone through several since she started day trading 5-6 years ago. "I am a small day-trader with a total turnover in futures and options trades worth between Rs 25 lakh and Rs 1 crore a day," she says. "Sometimes, I feel our stockmarket environment is not conducive for small traders like me." Dhaka's current broker is her seventh, having experienced myriad serious problems with the previous six. Trades that have been denied, and staff in the offices of brokers who have been ignorant, have made her wary and reduced her faith in the system. Of late, the high downtime in brokers' internet-based trading platform for traders (which gives them an alternative from being physically present in brokers' offices), is getting her goat. "It's frustrating because it stops us from exploiting many profitable opportunities that exist for a very short time."

10:45 AM: Finance Minister Chidambaram is on TV, reassuring investors that Sebi's proposal is in everyone's interest — investors and traders included. The FM goes on to add that the Indian economy's fundamentals are intact. Dhaka is amused. "Fundamentals matter little; insider trading and competition between operators affiliated to rival corporate groups dominate," she says. "Index-based stocks that show no movement for many weeks suddenly double in 10 trading sessions — that's an insane market."

Dhaka uses simple techniques to take calls. She does not start with a bias towards going long or going short. She mixes both. But she stays away from riding pure liquidity plays.

As a day trader, she also has to handle gender bias. "Male egos get hurt when they see a woman getting calls, which they missed, right?" Even though Dhaka hopes to increase her wealth through day trading, more often than not, it turns out to be a zero sum game. "A trader will make money for a month and in one shot, he or she will lose all of it." Nevertheless, Dhaka is hooked. "I haven't made much money overall, but then, I haven't lost it either."

10:56 AM: Trading re-opens. Dhaka excuses herself to square off two positions held from the previous day. She had gone long on Suzlon futures and takes a Rs 20,000 loss; but it is not entirely an unlucky day, since she also has an overnight long position of Nifty put options where she rakes in Rs 60,000 in profit.

A little after noon: The market stabilises and is down only 3-4 per cent from the previous day's close. "I am waiting to buy again, waiting for the right moment," she says as *BW* takes her leave. ■

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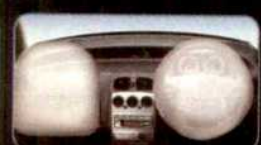
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Tackling shaky markets

Gaurav Mashruwala is a Mumbai-based certified financial planner

ON Monday, 15 October, the BSE Sensex crossed the 19000 mark for the first time in its history. The past few weeks saw the index rising rapidly. Two days later, the country's two premier stock exchanges suspended trading after precipitous falls in the indices. Last week, Finance Minister P. Chidambaram warned retail investors to be careful before venturing into the equity market.

These are turbulent times, but volatile markets should not be a cause for worry for investors who know what they want from their investments and are not on a get-rich-quick trip. However, even clear-headed investors are at times reduced to nail-chewing nervous wrecks when markets react violently to unexpected events. In such times, the trick is to remain focused and be aware that the occasional blips even out in the long run, and those who hold their nerve benefit even in periods of tumult.

For example, when markets rise, long-term investors can book some profits to repay loans. Opportunistic investors can similarly siphon gains into lower-return, but safer instruments such as fixed deposits or bonds. It is, however, wise to not disturb portfolios in times of high volatility. But first, it is necessary to look at how individuals usually deploy financial resources before explaining how to keep the boat steady when the going gets rough.

Individuals generate financial resources in two ways. First, as workers employed somewhere, by doing business or practising a profession. Income generated through an individual's own efforts is called income from human capital.

Second, income is also generated from our real and financial capital. If we have invested in a fixed deposit we earn interest, if we have a portfolio of equity stocks then we earn dividend, so on and so forth.

Financial resources generated from both the forms of capital need to be channelised towards future financial goals — that is, the future financial responsibilities and dreams. This is where the dilemma begins. Individuals or families that have clearly defined their responsibilities and dreams are few and far between.

Often, a booming market or other quick-buck opportunities tempt individuals who do not have clearly defined financial goals. They tend to invest in equity because equity markets have gone up or buy gold because its value is increasing or park their money in fixed deposits because interest rates are rising. In short, instead of being guided by their financial goals, they are swayed by market conditions.

Volatile markets make investments volatile too. But if investments were aligned to the individual investor's conditions and financial goals, then volatility would not matter. If an equity investment is made keeping in mind a child's marriage that is likely after 10 years, then 10 bad months in the equity markets should not be a bother.

Marking out financial goals well and staying focused on them is the clear way of braving volatile market conditions. Investors should purchase equity for goals that are 7-9 years away and invest in debt for the short term.

If the investor has decided how her investment should be divided among debt, equity etc., then she should stick to the same ratio in turbulent times too.

If due to a sudden rise in equity prices, the investor's asset allocation is skewed in favour of equity then she can do two things. If she has any outstanding loans, then part of the equity can be liquidated and the loans repaid. Having loans as well as investments in equity is a dangerous strategy. Unknowingly and indirectly, that becomes leverage for investment in equity.

If the investor has no outstanding loans, then she should rebalance the portfolio. If the initial asset allocation was 60 per cent equity and 40 per cent debt and rising value of equities changes it to 70 per cent equity and 30 per cent debt, then part of the equity portfolio should be encashed and invested in debt. When asset allocation deviates by 10-15 per cent from the originally decided limits, portfolios should be reviewed and rebalanced.

To sum up, if resources are channelised according to the investor's conditions and tuned to her financial goals, she will get the optimum benefit out of them. If they are deployed according to market conditions, sleepless nights would follow turbulent markets. ■

Volatile markets should not worry those who are not looking for a quick trip to profits

A fresh look.
A great outlook.
The Complete Man
Raymond
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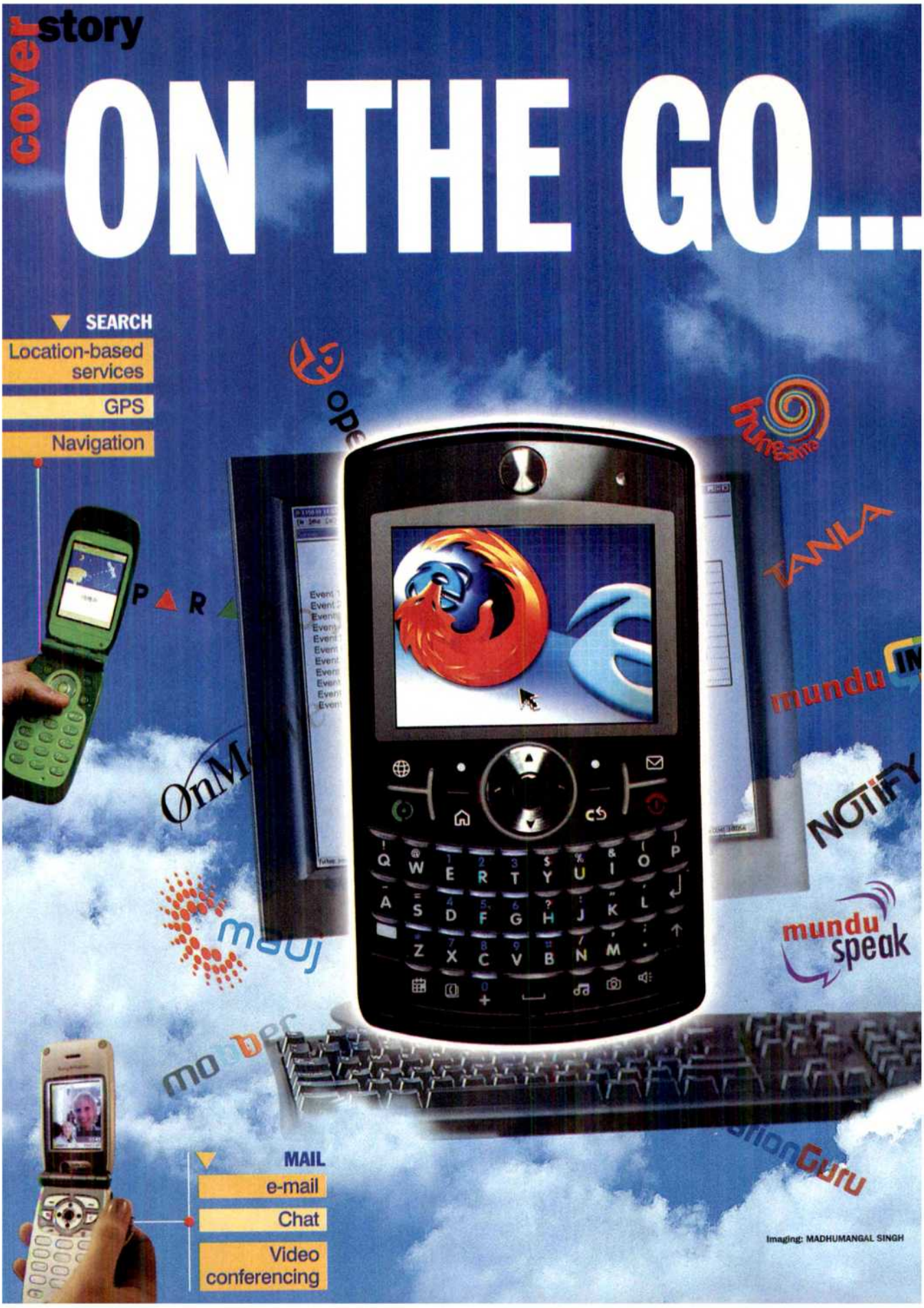
cover story

ON THE GO...



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...movies, e-mail, search on your handset. And the multi-billion dollar opportunity behind this mobile internet eco-system.

By Anup Jayaram and K. Yatish Rajawat

SATISH K., a restless 25-year-old techie from a Gurgaon-based software firm logs on to Airtel's network using his Nokia N 95 handset. He gets to Google and searches for Nike, clicks on the latest offering from the world's largest shoemaker, checks out its price tag and logs off without buying the shoe. What he isn't aware of is that with his idle browsing, he has just triggered a transaction in the mobile internet space. Nike will pay Google a click-based fee for being the conduit for a potential customer and Google, in turn, will share an undisclosed proportion of the revenue with mobile operator Bharti Airtel.

Welcome to the disruptive power of the 'fourth screen' — the mobile. It has emerged as the alternative to cinema, TV and the computer screens — all put together. Now, it promises to change the way an average Indian entertains himself and conducts business.

Get set to download music, check bank statement, transfer money, book air tickets, listen to internet radio, view live cricket scores or play games while hooked to the internet. Add to that location-based services that help pin-point a restaurant or guide you through traffic.

Soon enough, you could watch live television, retrieve content stored on the Web and see condensed episodes of TV serials. Also on the cards is the mobile wallet that could replace credit and debit cards, allowing you to pay via the mobile and be charged on the monthly bill. All this is over and above the regular value-added services like downloading ring tones, wallpapers and news alerts.

EXECUTIVE SUMMARY

- Mobile internet is dependent on operators and handset makers willing to give internet service providers access to the consumers
- Controlling the consumer or limiting his choice in the mobile internet world will not work
- A new set of services and revenue sources will come up in the mobile internet world

This revolution isn't far away. Already, every seventh Indian mobile user sports an Internet-enabled device like Satish's. In fact, at 30 million such mobile phones, India's subscriber base is next only to Japan's 70 million, US and China's 50 million each and Korea's 45 million. Internet-enabled phones have overtaken the country's personal computer population of 22 million. Prices of GPRS-enabled handsets have fallen by half over the last couple of years. As they continue to head southwards, India is projected to have the world's second highest mobile Internet user base of over 50 million by 2011. Industry analysts predict that by then, the global mobile internet user base would have grown from 450 million today to a billion, exceeding fixed-line base.

This explains the astounding valuations mobile companies command in India. The largest mobile operator Bharti Airtel is valued at nearly $53 billion (Rs 2,12,000 crore) and Reliance Communications $36 billion (Rs 1,45,000 crore). The world's largest, UK's Vodafone, is valued at $152 billion, Australia's Telstra at $58.6 billion and Singapore's Singtel at $48.9 billion.

So, 'mobilists' or 'mobizens' that mobile-savvy people such as Satish are, have put India on the cusp of the biggest technological change in telecom since mobility took the nation by storm 12 years ago. Their need for internet on the move is

Mobile earnings

	India	Global
Total mobile subscribers	201 mn	2.6 bn
Mobile Net subscribers	31 mn	450 mn
Total mobile data earnings	Rs 6,300 cr	$110 bn (Rs 4.4 lakh cr)
Entertainment earnings	Rs 1,500 cr	$23 bn (Rs 92,000 cr)

Source: Analyst reports and *BW* research

bringing about a convergence of mobile devices and internet-based services that are together mothering an eco-system around phone-specific content. Cellphone companies and a multitude of applications providers are cashing in on this multi-billion dollar opportunity. Internet-based mobile revenues in India have jumped from an anaemic $150 million (Rs 675 crore) two years ago to a gorgeous $700 million (Rs 2,800 crore) today, according to Europe-based Ovum Research. By 2011, they are projected to hit $3.9 billion. In comparison, global revenues today stand at $54 billion (Rs 2.16 lakh crore).

There is a serious upside to this for domestic telecom operators. Take the case of India's second largest mobile service provider Reliance Communications whose focus on home-grown internet-based applications is paying off. In the second quarter of 2007, Reliance's non-SMS revenues accounted for 75.4 per cent of its total data revenues, the highest by any of the 74 global operators surveyed by Informa's World Cellular Data Metrics. Korean company KTF had the second-highest percentage of 71.9 per cent.

Cellphone companies now have to ensure that such applications on their networks can be offered from their central server, rather than on servers in every state. Market leader, Bharti Airtel, for instance, is investing $100 million (Rs 400 crore) in a service delivery platform (SDP) with help from IBM. It will be a one-stop plug-in for application developers to host their applications on the Airtel network.

Imagination is, perhaps, the only constraint in what can be offered on mobile internet.

Movies, Music, Internet Radio On The Move

Clearly, entertainment is the biggest draw in India and it is likely to dominate the mobile space as well. Globally, at $23 billion (Rs 92,000 crore), it accounts for 20.9 per cent of the $110 billion (Rs 4.4 lakh crore) mobile data revenue pie. In India, though small (Rs 1,000 crore), it accounts for a substantial 35.7 per cent of the Rs 2,800-crore non-SMS mobile data revenues comprising music, radio, movies and cricket scores.

A host of domestic application providers are playing their cards in different segments of this space. Take mauj.com, for instance, which offers an array of games that can be played on the move. If you listen to internet radio, chances are you are using a software produced by Mumbai-based Geodesic (Mundu Radio) that has tied up with Nokia to make its software available on all Nokia smartphones. Mundu Radio, a mobile internet streaming radio service, is close to tying up with at least two major operators. That will allow mobile users to hook on to hundreds of internet radio sites across the globe.

"What we can offer is an entire genre of music that is not at all tapped by the FM radio stations," says Atul Chitnis, senior vice-president (products and strategy) with Mundu Radio. In the last two weeks, 45,000 people signed up for the service. Chitnis points out that the demand would increase once it is launched by the big service providers.

Another content developer, Mumbai-based Hungama, has tied up with US-based Actimag-

ine to provide a Bollywood channel that has full-length movies, songs and trailers. Mumbai-based cricket portal cricinfo.com is trying to capitalise on the craze for cricket by launching a service that provides a ball-by-ball commentary and scoreboard on the subscribers' mobile screen. "It is a free service now, but once enough users come on, it will be an advertising-driven model," says Anil Nair, head of wireless media, Cricinfo.com. All that a subscriber needs to do is download an application onto his handset. At a later stage, Nair plans to introduce advertisements along with the scorecard.

Mobile operators, however, are following vastly different strategies. At one end of the spectrum is Reliance Communications that plans to own the services as well as the applications it hosts. In fact, it develops most of its applications itself. Reliance Communications' RWorld portal has everything from recipes to music downloads and city guides. At a later stage, there will be mobile TV for viewing stored content and episodes from TV serials. RWorld hosts around 10 million unique subscribers every month. "We are pushing the envelope as far as services go by offering streaming video on the phone," says Mahesh Prasad, president (applications and solutions), Reliance Communications.

At the other end of the spectrum is Bharti Airtel, which is outsourcing every application, and does not intend developing them in-house. "We don't feel the need to get into the application development since others can do this job better," says Sunil Bharti Mittal, chairman and group managing director, Bharti Airtel. Adding to the entertainment glitter is mobile TV. Sister concern Bharti Telesoft is testing out an application that compresses the live TV feed to operate on a GPRS phone. It should be available to consumers on a limited basis by the year-end. It is currently doing trials with CNN-IBN. But Mittal says Bharti Telesoft's application could ride the Airtel network only if it is the best deal for Bharti Airtel in terms of technology and revenue share.

Clearly, operators have an upper hand in the business in India as they retain nearly 70-80 per cent of the revenue share. However, that could change if developers are able to offer pathbreaking applications. Globally, for instance, for popular applications such as Skype, the operators' share could be as low as 15-20 per cent. The biggest reason behind Japan's success with mobile internet was its leading mobile phone operator NTT DoCoMo's willingness to pass on 90 per cent of the user fees to service providers.

For now, however, telcos continue to set the rules. "So far, companies have not fought for their rights," says Neeraj Roy, CEO of Hungama Mobile. But, as Mittal says, "If there is a cutting-edge application, there is no reason why we cannot offer the developer more."

TRIBHUWAN SHARMA

The growing mobile play

	Global	India
Population	6.6 bn	1.2 bn
Mobile phone users	2.3 bn	205 mn
TV households	1.25 bn	108 mn
Cable TV subscribers	350 mn	80 mn

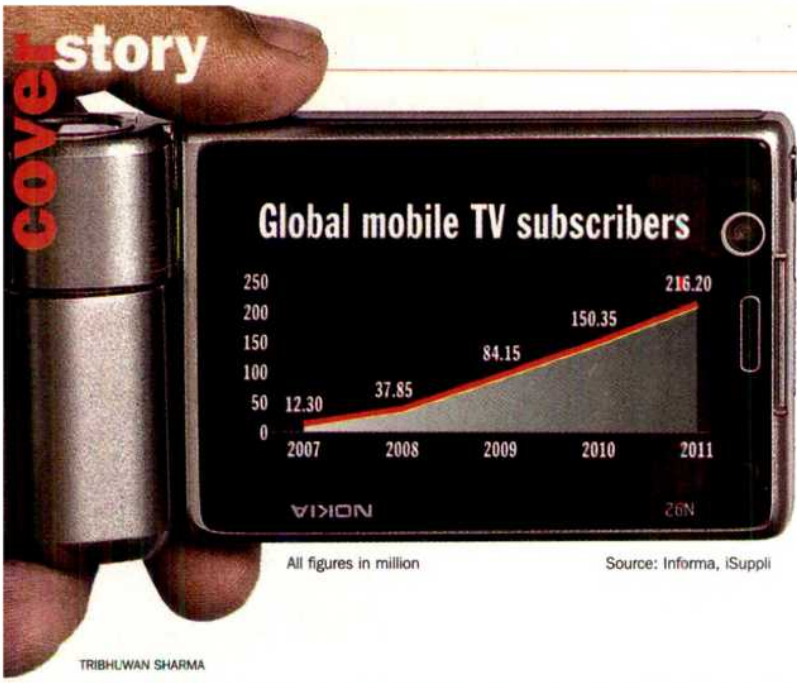
Source: ZDNET Research

Global evidence suggests that the telco's hold over this marketplace is set to change as even handset makers are beginning to eye this space. Nokia, the world's largest handset maker, for instance, has begun offering its own internet services like with Ovi ('door' in Finnish). Apart from music, it will offer gaming, photos and maps. Currently, Ovi is in talks with two Indian operators to launch the services here. Nokia also plans to launch a mobile music store and a gaming service soon. "We will help the user manage his music and synchronise it with the laptop," says Vineet Taneja, director, multimedia, Nokia India.

Business On The Move

Guess what, Bharti Airtel has applied for a banking licence with the RBI that will allow it to remit money on its network. Currently, it is in talks with State Bank of India and Kotak Bank for such tie-ups. Bharti Telesoft also has an application that can be loaded on to a GSM handset and will help transfer small amounts of money across the country, on the lines of the money order facility of India Post. "Our solution will set up a browser on the phone, which can run all the services," says Sanjiv Mital, CEO, Bharti Telesoft.

This is the first step in how mobile Internet



All figures in million

Source: Informa, iSuppli

TRIBHUWAN SHARMA

Towards a free mobile internet

ON 24 January 2008 the Federal Communications Commission (FCC) in the United States will auction the 700 Mhz spectrum. That band is critical because in 2005, mobile operators joined hands with public safety officials to push for digital TV legislation. So when broadcasters move out of the 700 MHz band, around 60 Mhz of spectrum will be up for grabs for a first-of-its-kind experiment in the mobile space.

Mobile operators are vying with Internet hawks like Google, Yahoo! and e-Bay-owned Skype that have evinced interest in bidding for the spectrum. Google plans to plonk the base price of an astounding $4.6 billion to acquire the spectrum and has offered a network of open applications, open devices and open services, many of which will be free to the consumer. This would be the first time major telecom companies anywhere in the world would be challenged in their own space by non-telecom companies out to end their party.

Google's chief executive Eric Schmidt unveiled his intention as far back as November, 2006 when he talked about free phones so long as consumers watch advertisements on the phone.

As the mobile phone mimics handheld computers, it will have a lot more to offer. The Google phone is expected to have a version of Google Maps, compatible with built-in GPS, G-mail and access to Google search.

By owning a chunk of telecom infrastructure, Google can save itself from paying US telecom companies to run its search traffic on their networks in the future

Is something on these lines possible in India soon? While voice calls in India are the cheapest in the world, it will be a long while before this trend percolates to other services. That's because Indian mobile operators insist on clinging to a large chunk of the revenues from such services. In all likelihood, advertising will begin the drive to a cheaper and more effective mobile internet services in India. ■

will enable business. The next will be when the phone replaces the credit card. Talks have already begun between operators and credit card service providers such as Mastercard and Visa to enable this on the phone.

Mumbai-based software firm Tata Consultancy Services (TCS), however, is looking to address an even wider base in rural India. It has set up pilot projects that will provide farmers details on weather, pesticide advice, nutrients required and mandi rates on mobile phone. It has tied up with universities, NGOs, research laboratories and international weather services to provide information on-the-go to farmers. Currently, this service is being tested in Borgaon, a village near Pune. However, it has yet to see how to monetise the facility.

"TCS's offering could be a mix of vanilla services, subscription and premium services," says Arun Pande, who heads TCS's Mumbai Innovation Labs. "But for now, it is for the farmers to try out and get comfortable with." Analysts estimate that mobile commerce today accounts for Rs 800 crore, 28.6 per cent of the Indian mobile data revenues.

Search On The Move

The one thing that drove the internet is search and search engines like HotBot, altavista, Yahoo! and Google. Search on the internet via a PC is free because it is subsidised by advertising. And that is precisely the challenge before those offering search on the mobile. One differentiator the mobile community has developed is the in-built global positioning system that pegs the location down to the street. With GPS, search acquires a totally new meaning on the handset.

Shashi Chaudhury, founder of mBlazon Communication, a location-based service (LBS) company from Nagpur, is trying to break into this business. "This will be by far the biggest service offering in the mobile internet space," he says. mBlazon has developed an LBS engine called LocationGuru, which allows the user to search and locate their friends and family on a digital map.TCS is also working on a solution that will provide parents the exact location of a school bus. And Tanla Mobile is working on an LBS application for a European service provider. "The time spent in search for a favourite restaurant, street address or a friend's house will be reduced to almost zero," says Subba Rao, president, Tanla Mobile. LBS is a productivity tool as it saves time in finding a location or a person, so users may be willing to pay for it.

There are multiple business models emerging, which could reduce the cost of the service. Nokia's Taneja believes LBS would be a subscription service where the user would pay extra for

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Regulatory issues in India

- For mobile Internet services to take-off, there needs to be adequate supply of spectrum. However, the communications and IT ministry has yet to formalise a policy on allocation of 3G spectrum.
- While the Telecom Regulatory Authority of India has suggested to auction 3G spectrum, existing operators have opposed it
- The TRAI has just received comments from 32 stakeholders on the issues relating to the launch of mobile TV services
- Revenue is going to be driven by services, applications and content and not just technology. Clarity needed on how the pie will be shared between content creators, aggregators and service providers

navigation options. Nokia's global acquisition of Navteq allows it to embed location-based services on the handset. But how seamlessly telcos will adopt an offering from a handset maker is still to be seen.

Another business model for LBS service is based on streaming advertisements suited to the search or the location of the user. "Say, you are in Delhi's Connaught Place searching for a restaurant, a McDonald's could stream an advertisement subsidising the cost of using the navigation service," says Chaudhury.

While there are obvious advantages of LBS and search service there are still some bottlenecks to delivery. India's spectrum woes are the biggest hurdle in delivering high bandwidth on networks yet. "The network needs to be capable of higher bandwidth, and the handset needs to have the processing power to display a digital map," says John Delaney, principal analyst with Ovum Research. "It is not possible to get a digital map to download easily on a GPRS network, and these LBS services will need higher computing power in mobile phones. So, yes it is possible but it will not become a mass market service immediately." Operators in India are working on upgrading their networks to EDGE or 3G and Nokia's acquisition in this space means that the handset would soon have higher processing power too.

E-mail On The Move

E-mail, the most used office application is free on the internet. But in the mobile world, operators, so far, have constrained its growth by charging for it. So far, paid e-mail has been a cosy arrangement between handset makers such as Research In Motion (BlackBerry), Nokia and service providers. Their business model is based on subscribers being charged for an e-mail application, plus a kilobyte-based access charge for downloads from the internet. This is a myopic pricing strategy, and may not last on the mobile internet.

There is very little action in this space in India except the tie-ups mobile operators have with applications providers like BlackBerry. But it won't be long before the contagion of the global action begins to affect India. Globally, free open-source software players like the US-based Funambol, which calls itself a Mobile 2.0 company, have begun offering free enterprise-based push e-mail applications. Its business model allows an operator to cut the cost of a push e-mail application to its subscribers as they don't have to depend upon proprietory services like BlackBerry.

Moreover, internet players such as Google are looking at the mobile internet space closely. Google is planning to launch a mobile phone and is developing a mobile operating system. It also bought Finnish Jaiku Mobile that offers to share availability, location and calendar with contacts.

Google's business model is likely to be based on advertising on a mobile phone and will offer all the office applications available on Gmail. Most operators and handset manufacturers are awaiting the Google launch as it might be a disruptive business model. If Google is able to offer it for free, then operators will be left with no option but to drop the charge on application and even reduce their access charges,which will drive the penetration of the mobile internet.

The business opportunity around mobile internet in India is constrained by operators' reluctance to pass on a higher share of revenue to the application developer. Most operators are not even willing to give access to services where they do not have a fee-sharing component. Access to such websites is mostly blocked. Other operators who are developing their own applications are blocking choices to the consumer. Operators are still to grow out of this myopia.

Even handset operators are inflexible in providing access to their operating systems, so application developers can interface easily with their phones. Each handset maker has his own operating system and, like Microsoft in the PC world, do not open it up to other applications. Players like Google and Yahoo! have made the operating system on PCs redundant by hosting their application on the internet. This is expected to be replicated on the mobile. Clearly, controlling the consumer is a philosophy bound to fail in the internet world. ■

Kevin Hassett is director of economic policy studies at the American Enterprise Institute.

Gore for the next big prize

AL Gore's receipt of the Nobel Peace Prize has ignited speculation that he will enter the presidential race. Although some say he won't run because Hillary Clinton looks unbeatable, the former US Vice-President has left the door open and may use the prize as a springboard. A look at the dynamics of the 2008 election suggests that the case for Gore to join the race is quite powerful, both from his own perspective and that of the Democratic Party.

From his vantage point, there are two main considerations. Gore, 59, needs to assess whether he can win and whether his policy differences with the other candidates are serious enough for that win to matter. Both considerations should push him heavily toward running.

The national polls certainly are discouraging for him. A recent Gallup/*USA Today* poll that included Gore in a Democratic field gave him only 10 per cent of the vote, putting him in a tie for third place with former Senator John Edwards, a whopping 33 percentage points behind Senator Clinton, who's also 59. Still, it's hard to know whether such a poll has any meaning given that Gore isn't actually in the race.

Polls also show that Clinton is much more vulnerable than the national figures suggest. She is struggling in Iowa, and a loss in Iowa, as Howard Dean can attest, can upend a campaign. Her weakness reflects an underappreciated fact: the famed Clinton political machine doesn't extend into the Hawkeye State.

Hillary is only up by 3 percentage points, on average, in Iowa polls over a surprisingly weak Barack Obama. A *Newsweek* poll even has Obama ahead in Iowa by 4 points. While Obama is probably not a strong enough candidate to embarrass Clinton in Iowa, Gore could easily do that. In contrast to Bill Clinton, he was enormously popular in Iowa, winning 63 per cent of the vote in 2000, at a time when Bill Bradley was still considered a serious candidate.

Gore also has the broadest grassroots support of any unannounced presidential candidate in recent memory and could build an impressive ground game in a short time.

DraftGore.com, an organisation that has arisen with the sole purpose of encouraging his candidacy, already has 179,000 signatures on a petition for him to run. One would guess that a win in Iowa would just about knock off Clinton's hopes for a runaway nomination.

On whether it matters for policy reasons, the case for Gore to run is much stronger. He has made global warming his defining issue, and the dirty secret of the Democratic race is that Christopher Dodd, as the lone supporter of a carbon tax, is the only candidate who really takes global warming seriously.

Gore has advocated a carbon tax, which imposes a levy on entities that emit carbon dioxide into the air, to reduce greenhouse-gas emissions. He is correct in his analysis that increasing the price of carbon-based fuels is the most reliable way to begin fixing the problem.

Clinton and the other Democrats favour a regulatory 'cap and trade' approach, which provides economic incentives for polluters to reduce emissions. There are many problems with this plan that have become increasingly apparent as economists studied it more closely.

From the Democratic Party's point of view, a Gore run is a big plus. The biggest consideration is the effect on the Republican nomination. If Clinton is nominated in a cakewalk, then moderate Democrats and independents will flock to Republican primaries, which look as if they will be hotly contested. That flow of moderation in the Republican direction would increase the odds that Democrats would face a more broadly popular opponent in November 2008.

The main downside of a Gore campaign is that he has reached a global superstar status that rivals sainthood, and his image would take a big hit if he ran and lost. If Gore is serious about global warming, that risk would seem a small price to pay for entering the race. ■

Al Gore should use the Nobel Prize as the springboard to enter the presidential race

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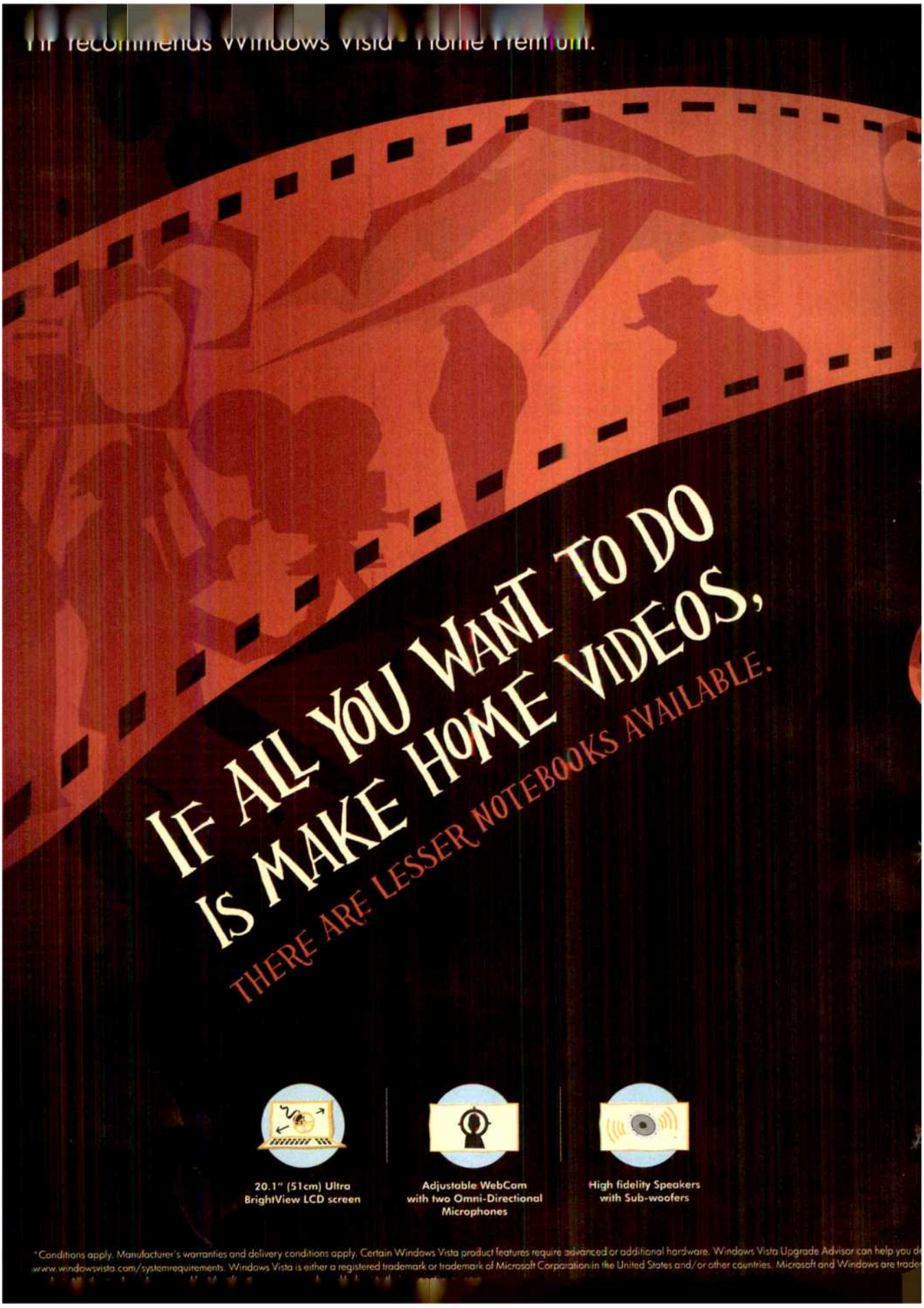
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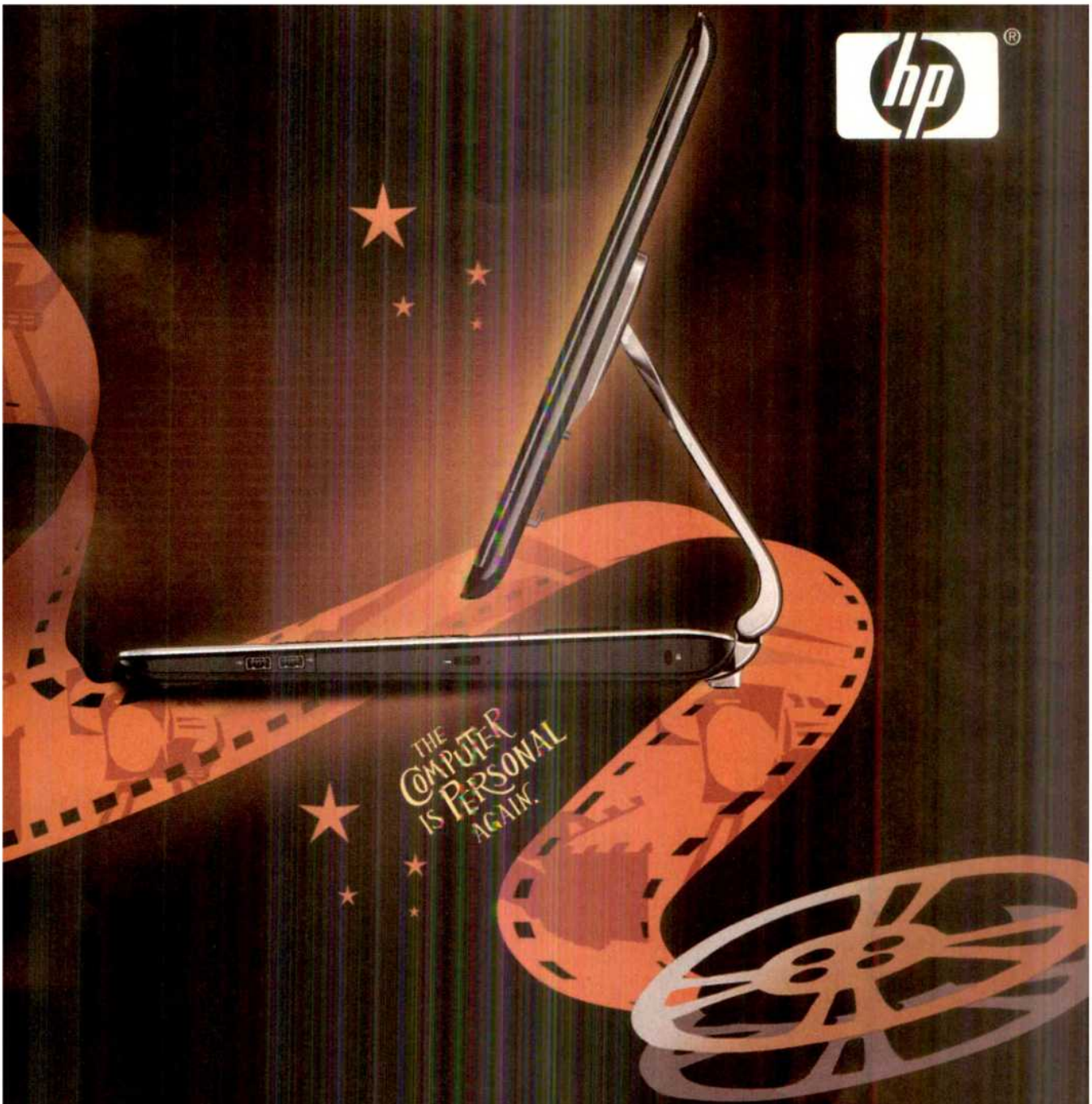

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'We are on the **verge** of something very **optimistic**'

AMIT VERMA

The Inter-governmental Panel on Climate Change (IPCC) is clearly a diverse body. Its reports on climate change feature contributions from places as far-flung as Antarctic research stations to tropical islands in the Pacific. On 12 October, 19 years of hard work of thousands of the organisation's scientists and researchers was finally rewarded with the Nobel Peace Prize.

The IPCC shared the $1.5-million (Rs 6-crore) award with former US Vice-President Al Gore, who has also championed the cause of climate change since the 1980s. Although Rajendra K. Pachauri, the IPCC's chairman, was not personally named in the citation, you would not be wrong in thinking this was his moment as well. In the past month alone, he visited over 30 countries to speak with government ministers and scientists about climate change.

Following the Nobel Prize announcement, Pachauri was deluged with hundreds of congratulatory e-mails and phone calls, including one from Gore himself. The very next morning, the 67-year old engineer-economist proved he was still every bit the commoner by playing his weekly game of cricket with colleagues from The Energy and Resources Institute (TERI). After the game, he sat down with *BW*'s Pierre Mario Fitter and K. Yatish Rajawat to discuss the Nobel Prize and its implications for India and the world... before returning to his calls, e-mails and paperwork. Excerpts:

■ *The last 24 hours must have been quite emotional for you...*

■ It feels good. It's deeply satisfying to know that the IPCC's work has been recognised.

■ *Isn't it ironic that Al Gore, with whom IPCC shares the Nobel Prize, once objected to you taking over as chairman?*

■ There was a misunderstanding, which has now been cleared. He must have thought that I will be some kind of a dummy of some government. He was concerned about my objectivity and my ability to function independently.

■ *A peace award to an organisation focused on climate change, headed by an economist-engineer. Isn't it unique?*

■ The work of the IPCC is not merely atmospheric science — that is only a third of the work we do. We have to look at the impacts, for which you have to understand forestry, soil, human society, and infrastructure. When you look at mitigation options, you are dealing with a whole range of technologies. The solutions that one can come up with, such as energy supply and consumption, are not just about atmospheric science.

So, I think it is erroneous to believe that the IPCC only does atmospheric science. My predecessors were atmospheric scientists, but that doesn't mean that should continue forever.

■ *What is the new evidence that got the IPCC's latest report so much attention?*

■ There has been a lot more research and observed evidence on sea level rises, temperature increases, heat waves and extreme precipitation events. I don't think any country differs from what is said in the reports. They are all party to its approval process. When I became vice-chairman [IPCC] in 1997, one major area that I focused on was effectively disseminating our results and findings. It's not enough to produce beautiful reports that sit on office shelves. We need to get the message out.

R.K. Pachauri
Chairman, IPCC

■ *The White Houses' immediate reaction to the Nobel Prize was that it will not change its stance on what it has always said and believed about climate change.*

■ Don't you think it would be odd that just because the Noble Prize has been given, a country decides to alter its policies overnight? They will obviously continue their policy. They won't say that because so-and-so has won the Nobel Prize, we will toss out our policy.

■ *What does the award mean for India?*

■ India is a good example of where conflicts can arise due to climate change. Look at water scarcity in different parts of the country. Heaven forbid, you could have problems between states, and even within states over this. These are sensitive issues that have major emotional and political overtones.

■ *There could be conflicts between countries in Asia over natural resources...*

■ I don't know if it is quite that way. But look at Bangladesh. It is highly vulnerable to sea-level rises. We already have tensions on account of Bangladeshi refugees, which could increase if their number goes up beyond what we already have right now. Take Afghanistan, for instance. Agriculture has been disrupted there for several reasons. If climate change adds to these stresses, it becomes a fertile ground for people to exploit poverty, frustrations and the lack of hope. All this is linked to the possibility of peace being disrupted.

■ *Food and water security could be a major issue for India...*

■ Certainly. Take agriculture. Wheat, in particular, is very vulnerable to heat. I told the Agriculture Minister Sharad Pawar that this is a serious problem. He came to TERI and we made a presentation to his entire top brass. He then instructed the ICAR (Indian Council of Agricultural Research) to organise a conference of all agricultural research organisations, to map out a plan to adapt agriculture to climate change.

■ *A few things are going right, but India is still doing several things wrong.*

■ If we don't do anything for the next 5-10 years, obviously the implications would be very serious. Nearly half a bil-

lion people depend directly on agriculture. We know that overall there is a decline in average precipitation in this country. Conversely, parts of Rajasthan and Gujarat are flooding when previously they never saw a drop of rain. Look at the cloudbursts in Mumbai over the past two years. These variables in natural assets, which people's lives depend on, can obviously have major implications for their livelihoods.

■ *One of the biggest criticisms of your work is that you make laypeople accept the enormity of the problem by being alarmist.*

■ All these problems are happening today. Look at all the data that agricultural scientists are gathering on wheat productivity. Hurricane Katrina, massive floods in the UK; all these enter the human psyche. You don't look at isolated events. You look at a pattern of changes. There is enough data to show that the acceleration and impact of climate change is increasing.

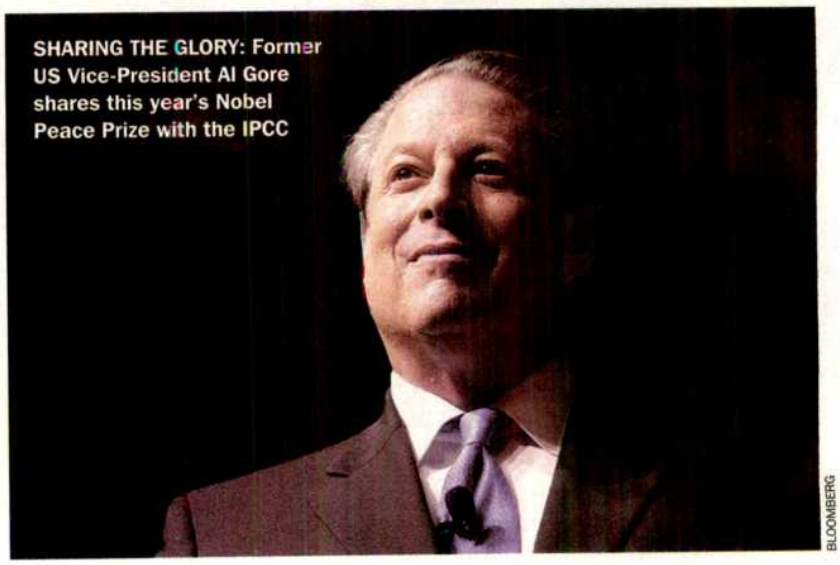
■ *The US and UK have conducted many high-level studies on how climate change could be a greater national security threat than terrorism. Does the Indian government see this in the same way?*

■ I would go by two indicators. One, the PM has set up an advisory council on climate change. This opens windows to inputs at the highest levels of government. Now, the scientific community must provide the right input. On the issue of impacts and adaptation, another committee is led by the PM's principal scientific advisor, R. Chidambaram. The government realises that the immediate task is to adapt to climate change. But it takes changes in public perceptions for governments to act. The people dictate what the government must do. After all, we are a democracy.

■ *China is not a democracy, but it has acted very quickly on this matter. Its new five-year plan is all about building a 'harmonious society'.*

■ China is very vulnerable to the impacts of climate change. I am a member of the China Council for International Cooperation on Environment and Development (CCICED), which meets annually. Each time, we spend 90 minutes with Premier Wen Jiabao. Incidentally, [Wen] was the chairperson of the council before he became Premier. Last year, he spoke for 30 minutes on the impacts of climate change on China. He is very well informed about the issue and its impacts, and believes that if China doesn't do something about it, there will be trouble.

(CCICED is a 15-year-old organisation founded by the Chinese government to further strengthen cooperation and exchange between China and the international community in the field of environment and development)



SHARING THE GLORY: Former US Vice-President Al Gore shares this year's Nobel Peace Prize with the IPCC

BLOOMBERG

■ *Wouldn't it be in India's best interest to take the same route as China?*

■ I think it's in India's best interest to do things that are good for India. Kerosene subsidies are not good for India. Not providing public transport is not good for India. Not having energy efficient buildings is not good for India. We have a very deficient view of these priorities, and that has to be corrected.

■ *What are some of your achievements as chairman of the IPCC?*

■ I have been able to bring about consensus and unity in the IPCC. People are now willing to make compromises and shed their rigidities. That's reflected in the quality of the reports we have produced, but that is the work of our experts and scientists. My job is to see that the decision-making process goes smoothly and that we function on schedule and in an objective and transparent manner.

■ *How has this consensus-building impacted the outside world?*

■ I am concerned largely with internal workings of the IPCC. To that extent, you must listen to everybody with a sense of fairness and let every country feel that they are part of the decision making. I think I've been able to create that sense of confidence. People are very perceptive. If they feel that you favour a small group of countries, it can impede the building of a harmonious system.

The IPCC consists of 192 countries. If you don't act in a fair and open manner, you're going to create divisions within the body. That, I'm afraid, also spills over to the scientific community. The scientific community must believe that whoever is running the organisation is fair, objective and unbiased.

■ *What will be your priorities in your final 12 months as chairman of the IPCC?*

■ For one, the findings of this report will have to reach every corner of the globe, especially those who are in a position to take decisions. It is not for the IPCC to prescribe decisions. But we do policy relevant work, and I have to make sure that whatever is produced is available to those who can take decisions.

At the UN General Assembly last month, Secretary-General Ban Ki-moon hosted 80 heads of state in talks about climate change. That's a unique sign — so many high-level people getting together to talk about climate change. I think we are on the verge of something very optimistic. ■

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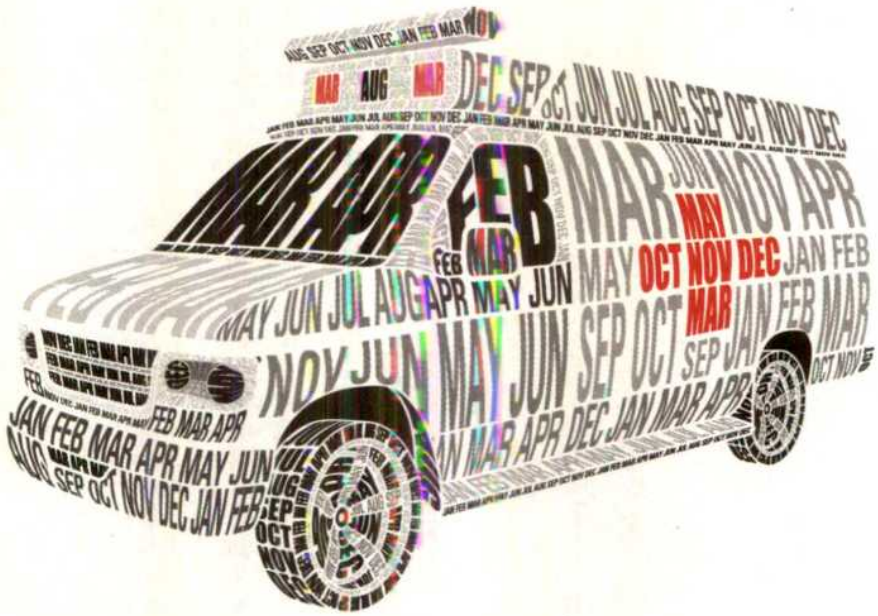

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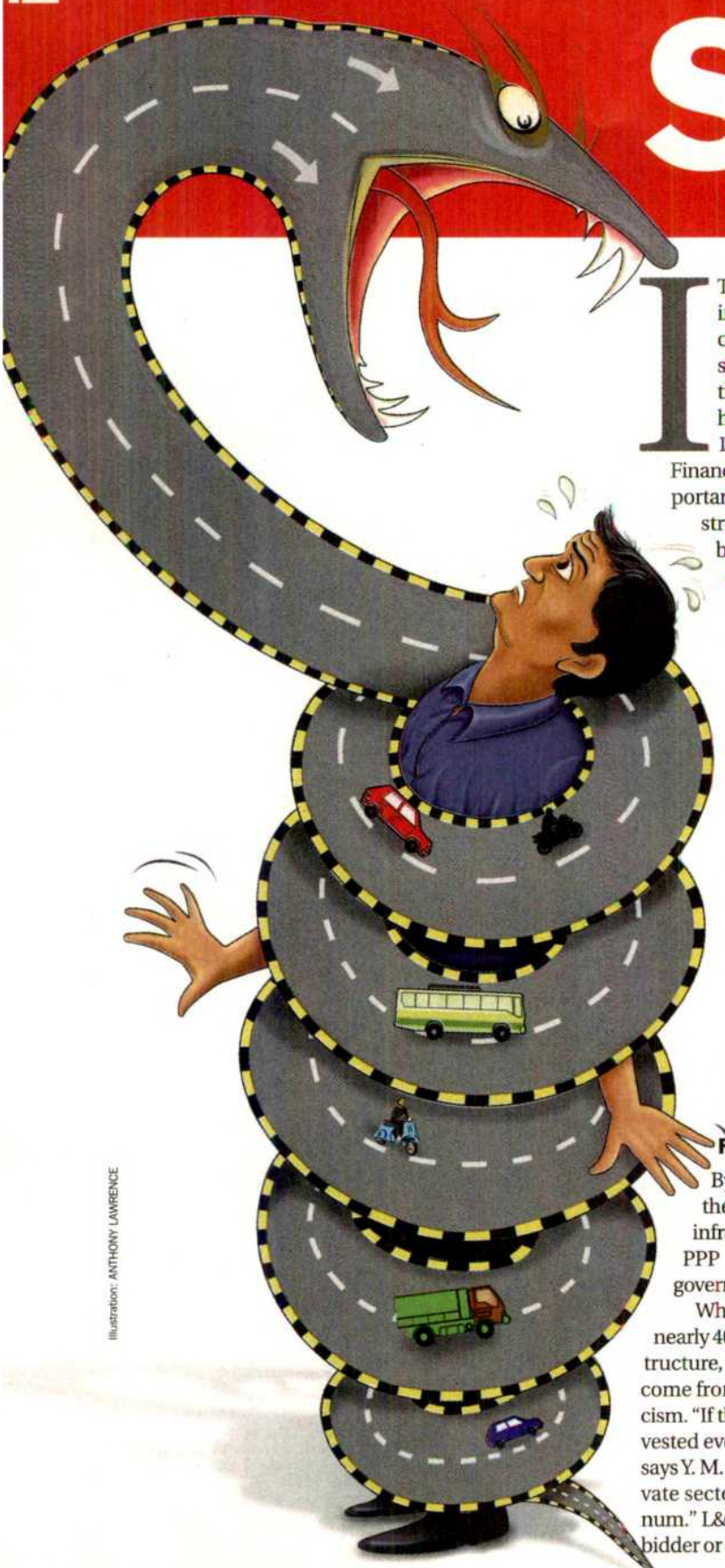


Illustration: ANTHONY LAWRENCE

IT looks like optimism but it is mostly wishful thinking. In recent months, the government has been on a campaign overdrive with its public-private partnership (PPP) model for infrastructure projects. No less than $475 billion is expected or, more truthfully, hoped for, in the next five years. That's a whopping Rs 19 lakh crore in the current dollar value.

Finance Minister P. Chidambaram feels PPPs are very important given India's low gross capital formation in infrastructure, which stood at a dismal 4 per cent of GDP between 1997-98 and 2003-04. "Our infrastructure deficiencies have become more visible because of high growth, the most visible indicators of overstretched infrastructure being our congested highways, airports and ports," he says.

There is a crowd queuing up to walk the red carpet the government is laying out for PPPs. Where else can companies get projects which come with almost guaranteed returns, low risk of political clearance and assured usage of services? But developing infrastructure through PPP is expensive. It inevitably leads to an increase in the common user's burden, erodes profitability, and adds to the economy's inflationary pressures.

Moreover, the experience in South America, Eastern Europe and Russia has shown that if PPP projects become unaffordable for the consumer, expectations fail, leading to a backlash. This could dry up investment even as users refuse to pay charges. While the PPP strobe lights are keeping user charges in the shadows for now, they may not remain there for long.

Figure It Out

By definition, in a PPP, the government shares with the private sector the risks and rewards of making an infrastructure project viable. A crucial component of a PPP is that assets developed through it revert to the government at the end of a pre-determined period.

While estimates vary, government officials would like nearly 40 per cent of the country's total investment in infrastructure, pegged at around $200 billion (Rs 8 lakh crore), to come from the private sector. It's a figure that draws scepticism. "If the government estimates that $50 billion will be invested every year for the next five years, it may not happen," says Y. M. Deosthalee, CFO, Larsen & Toubro (L&T). "The private sector can, at the most, contribute $10 billion per annum." L&T is participating in most ongoing PPPs, either as a bidder or as a construction firm for other developers.

by infrastructure

The government believes that public-private partnerships will end India's infrastructure problems. But will they? By K. Yatish Rajawat and Vishaka Zadoo

Financial institutions echo Deosthalee's projection. For instance, Rajiv Lall, managing director of Infrastructure Development Finance Corporation (IDFC), is of the view that the target is unrealistic. "The overall profit earned by the corporate sector is nearly 7 per cent of GDP, of which 10-15 per cent can be channelled into the equity of infrastructure projects," he says. "Even assuming that debt would account for the remainder — debt is 5-8 times the equity in infrastructure projects — and this is not possible, the government's target seems unrealistic." Lall's organisation has funded the largest number of PPP projects in the country.

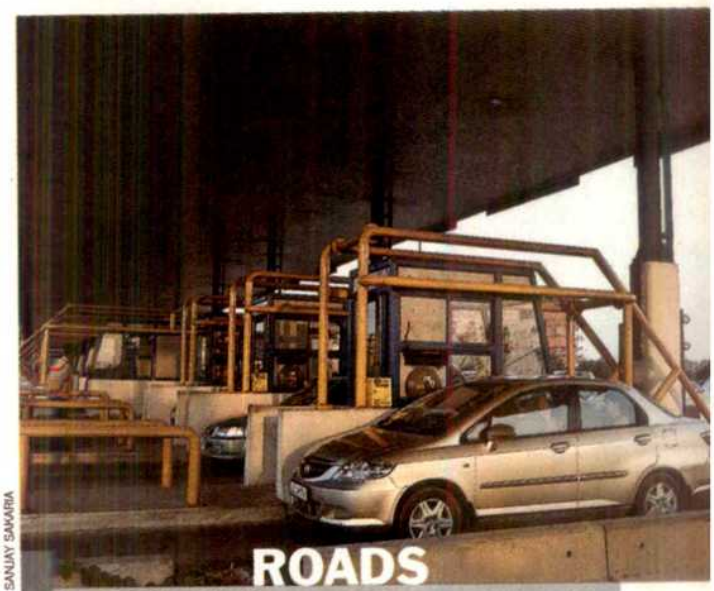
Consulting firms such as Ernst & Young and Pricewaterhouse Coopers estimate that PPPs worth $50 billion-75 billion may materialise over the next five years. Feedback Ventures, an infrastructure consultancy that gets a bulk of its business from PPP advisory services, is the most upbeat. "We expect at least $100 billion worth PPP projects to take shape in the next five years," says R.S. Ramasubramaniam, vice-chairman of the Delhi-based company. Even though the private sector's most optimistic expectations are way below that of the government's, India can expect to net the highest PPP investments in a world rocked by user unrest. The nation's PPP report card is showing mixed results right now, but the final test is yet to come.

At Crossroads

PPPs have been most successful in India's roads and highways sector. From construction contracts to annuity base payments where the government takes all the risk, we now have the revenue-share and toll-collection model that divides risks with the private company. The model concession agreement (MCA) has evolved should the government compensate the private operator if his traffic falls short of targets. The govern-

EXECUTIVE SUMMARY

- PPPs, by definition, mean that government shares with the private sector the risks and rewards of a project
- The government is hoping the private sector will pump in $200 billion into infrastructure which may not happen
- Currently used to subsidised toll rates, the common man will feel the pinch as PPP projects go live



SANJAY SAKARIA

ROADS

OPPORTUNITY

- Over $50 billion-60 billion investment is required over the next 5 years to improve road infrastructure
- Rs 41,200 crore project plans to lay six- lane roads over 6,500 km of National Highways in the Golden Quadrilateral and other high traffic density stretches
- 1,000 km of expressways to be developed on a BOT basis, at an indicative cost of Rs 15,000 crore
- NHDP-IV envisages upgradation of 20,000 km of highways into two-lane highways, at an indicative cost of Rs 25,000 crore
- NHDP-III envisages four laning of 10,000 km of roads at a cost of Rs 47,557 crore
- NHDP-VII involving development of ring roads, bypasses, grade separators and service roads at an indicative cost of Rs 15,000 crore, has been mandated

OUTLOOK:

Annual growth of 12-15% for passenger traffic has been projected

AFP

AVIATION

OPPORTUNITY

- Estimated investment of about Rs 40,000 crores ($9 billion) for airport development over the next 5 years
- Delhi, Mumbai airport modernisation is expected to attract investment of about Rs 15,700 crore
- New international airports at Bangalore and Hyderabad are being built by private consortia with a total investment of about Rs 4,000 crores
- 25 other city airports are being considered for private investment

OUTLOOK:

- Passenger traffic is projected to grow at a CAGR of over 15% in the next 5 years and expected to cross 100 million passengers p.a. by 2010
- Cargo traffic to grow at over 20% p.a. in the next 5 years to cross 3.3 million tonnes by 2010

ment will also ask the operator to share the revenue in case flow exceeds projections. The government is now looking at revenue- and risk-sharing in all projects.

"We are going for competitive bidding for all the projects, and only if there is lack of interest in two rounds of bids do we go for the annuity model," says Braham Bhatt, secretary of Road Transport and Highways Department. "Cash contracts will be the last resort." Consequently, in the next phase of the National Highway Development Programme (NHDP), there are as many as 155 projects on offer on the BOT (Toll) route, with a collective investment potential of Rs 1 lakh crore.

"Now, the private sector is looking at developing at least 70-80 per cent under NHDP-IV, which has nearly 22,000 km of roads to be developed," says Virendra Mhaiskar, chairman and managing director of IRB Infrastructure Developers (IRBIDL). The Mumbai-based firm is a corporate example of the how PPP in roads has progressed. Started as a contracting firm, it is now the largest toll collection and PPP firm in the roads sector in India.

However, there is still no incentive for banks or financial institutions to lend to road projects, leading to a high cost of debt, which forms the bulk of funding. "The government is not concerned about the way these projects are funded," says Mhaiskar. "The SPVs for such a project have to pay a dividend tax, which means that the internal return for the holding company or investors has to be high to account for the tax payout. Even debt is being raised at 12 per cent, which is very high for an infrastructure project, and this is loaded on to the project cost." He further argues that unless there is some incentive to the banks the interest costs are not going to come down.

With the private sector's insistence on a minimum internal rate of return (IRR), high costs result in a high toll. Firms such as GVK Industries are looking at a minimum IRR of 18 per cent on road projects. High toll rates in all the NHDP projects raises the cost of inter-state goods and passenger transportation. The road to inflation starts here.

Sky High

The PPP route is seen as the new take-off point for better airports — improved facilities, higher capacity and new greenfield locations. An independent Airports Economic Regulatory Authority Bill has been tabled in Parliament. In fact, an MCA for standardising and simplifying PPP transactions for airports is also being discussed. While PPP tenders have been fiercely contested, charges have flown thick and fast that private operators corner non-aeronautical revenues, the most profitable part of an airport's operations that includes duty-free shopping, travel and catering services, by turning lease contracts into capital contracts. The PPPs in Delhi and Mumbai, two of the country's biggest airports, have been learning experiences for the government.

"There was a first mover advantage in the Mumbai airport, which is no longer there in other airports that are coming up for PPP," says Isaac George, COO of Hyderabad-based GVK Infrastructure, which won the PPP for developing India's busiest Mumbai International Airport.

Port Holes

It is foreign players who have shown keen interest in the ports sector, particularly in container terminals, a high growth segment in which traffic is expected to rise by 17.3 per cent annually for the next nine years. Dubai Ports, Maersk Lines and PSA Sical have already secured BOT bids for terminals at the Jawaharlal Nehru Port Trust in Navi Mumbai, and the Tuticorin Port in Tamil Nadu. The Ministry of Shipping is pushing for a $13.5-billion (Rs 54,000-crore) port infrastructure investment of which nearly $9 billion (Rs 36,000 crore) is slated to come from private funding. R.K. Srivastava, joint secretary (Ports), says that the 11th Five-Year Plan (2007-12) has a target

of Rs 34,000 crore in private investment based on the PPP model. This is a huge sum, particularly in view of the performance till date — the sector had so far received only Rs 7,500 crore from private investment.

About 16 projects with a private investment of Rs 4,300 crore are already operational, and another eight with Rs 8,800 crore in private funding are under construction. Put together, they account for just a third of what is planned for the next five years. "At present, all risks in the port sector are loaded against private companies," says Arvind Mahajan, head of infrastructure sector in KPMG Advisory Services. Under a newly proposed MCA, private sector will be compensated if traffic falls below projections. Moreover, tariffs will be quoted upfront before the bidding, and remain linked to inflation. In addition, as with roads, it is proposed that no new terminal will be built in the vicinity for the first seven years of its operation.

"One cannot just replicate road concessions in the ports sector, both have different dynamics," says a ports and shipping department official. "We cannot stop developing terminals to protect private companies." Ports have a well-laid tariff fixing procedure, which allows for a 15 per cent rate of return. Nevertheless, investment is slow in this sector due to inter-departmental conflicts and the lack of a clear policy on PPPs.

Derailed...

The Railways' projected investment till 2015 stands at Rs 3,50,000 crore but the 11th Plan has budgeted only Rs 2,51,000 crore. PPPs are expected to bridge this gap, although the Railways is looking at a PPP model in the modernisation of only 21 stations. PPPs for container trains were thrown open to the private sector in 2006 and around 14 companies, including Container Corporation of India (a railway subsidiary), have evinced interest in running these trains.

Rail Vikas Nigam (RVNL) was set up in 2003 to strengthen the tracks connecting the four metros and all ports at a cost of Rs 12,000 crore by 2008. However, most RVNL projects are on the annuity basis, where the private party bears no risk. Although the railway ministry has been very vocal about PPPs, results haven't matched its intentions.

Here Comes The Bill

PPPs assume that users have the ability and will pay for infrastructure. While this may be true for the bulk of commercial users, it creates problems for individuals. Affordability ratios (how much of an individual's budget that are earmarked for payment towards infrastructure services) are key to PPPs. The poor man's affordability ratio for roads and power is generally zero.

Most of the players even ignore the inflationary impact of road tolls on the wholesale price index (WPI). For instance, the new MCA for highways envisages a 40 per cent link to the rise in WPI, but tolls will themselves contribute to the WPI by increasing the prices of essential commodities being transported across the country.

"There is a circular inflationary pressure that tolls can create on WPI," says IRBIDL's Mhaishkar. "But they can give concession in the form of land for commercial development, which they have tried in the past." But this method may not have many takers. "It is not always possible to bundle another project like a real estate project with an infrastructure," says L&T's Deosthalee. "It becomes confusing for investors and lenders to finance such projects."

Besides, a substantial part of India's population depends upon the government for providing these services at subsidised rates. But, "It is not fair to throw PPPs out just because users have to pay for them, which were earlier free or subsidised," says Feedback Ventures' Ramasubramaniam. "The government has to first make these projects attractive for the private sector and the issue of users can be addressed later."

Such an outlook can be dangerously misplaced. According to surveys, at the peak of the PPP hype in Latin America, 56 per cent of the users believed it was beneficial for the country. By 2004, only 25 per cent believed so. This declining confidence also led to a fall in PPP inflow from $71 billion to just $16 billion. PPPs ignore users at their own peril. The user population is an influential political voice, which will be heard well by future coalitions at the Centre or State. Are we listening now? ■

PORTS

OPPORTUNITY

- Rs 60,750 crore in the major ports under National Maritime Development Programme to boost infrastructure at these ports in the next 7 years
- 64% of the proposed investment in major ports envisaged from private players
- Investment of Rs 20,250 crore required for improving minor ports

OUTLOOK:

- Cargo handling at the major ports is projected to grow at 7.7% p.a. (CAGR) till 2011-12 and traffic estimated to reach 877 million tonnes by 2011-12
- Containerised cargo is expected to grow at 15.5% (CAGR) over the next 7 years

AFP

SANJIT KUNDU

Left hanging

For its PPP projections to come true, the government must do more than just talk big

VISHAKA ZADOO AND
K. YATISH RAJAWAT

INDIA'S share of global investments was dismally low from 1990 to 2003. According to a World Bank report, only 131 of the 2,712 projects initiated globally between 1990 and 2003 were located in India, and the country received only $33 billion of the total $786 billion investment in infrastructural public-private partnerships. The nation's past experience in public-private partnership (PPP) makes the government's stated task of meeting its projected targets daunting. The gaps in policy, funding and regulation must be closed before India's PPP dreams slip through.

Look Who's Watching

Private participation in infrastructure development requires independent regulation. "There is an urgent need to separate regulations, policy making, and operations," says Y. V. Deosthalee, CFO of Larsen&Toubro. "The National Highway Authority of India or the Airport Authority of India (AAI), as the case may be, cannot resolve disputes. These three areas have been de-linked in telecom and see the kind of investment that the sector has attracted."

Regulation also results in the monitoring of quality standards. "The road sector is highly unregulated in terms of safety," says G. Raghuram, professor at IIM-A and a specialist in transport issues. "Something as simple as monitoring signage on the road can resolve this problem."

Despite the presence of a regulator in the ports sector, nobody monitors performance indicators in terms of time taken for the private terminals to dispatch consignments. The Tariff Authority for Major Ports (TAMP), only oversees tariffs. TAMP's role is very limited, says Arvind Mahajan of KPMG. "It cannot impose penalties if private operators renege on service quality." Therefore, Singapore-based PSA Sical, which operates a container terminal at Tuticorin Port, could withdraw its services for some days when TAMP refused to raise tariffs earlier this year.

In sectors such as roads, the government has tried to address the problem of regulation through a well-defined model concession agreement (MCA), which clearly lays out the operations and maintenance targets. Similarly, for ports too, the government is trying to specify the levels of performance for terminals. This will bind the terminal with an agreement to improve its level of performance over a period of time, says R.K. Srivastava, joint secretary (ports).

But problems of dispute resolution continue. While the Planning Commission has suggested a single regulator for the transport sector, there is no consensus among its different ministries.

The railways is staunch in its opposition. "For transporting bulk commodities by rail, we have a monopoly. So, what will the regulator do?" says a railway board member. But this argument

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fails when it comes to container transportation by rail.

With railway container cargo opened to private players in 2006, the Railways has its own subsidiary, the Container Corporation of India, as one of the competitors. "But who decides whether there is a level playing field? Where do we go if there are disputes?" questions a Delhi-based rail container private operator who does not wish to be named.

In other sectors like airports, the bill for setting up the Airport Regulatory Authority of India (ARAI) has been tabled in the Parliament. "The airports' regulator needs to clearly spell out that tariffs must be determined, and should set safety and quality standards," says Mahajan of KPMG. Raghuram expects trouble from issues such as fixing responsibility for quality of services when the AAI fails to provide enough air traffic controllers.

Success and failure

THE case study of two public-private partnership projects illustrates the difference a clear policy and regulatory system can bring about in success of the project. Take the Tirupur Water Supply Project (with an investment of Rs 1,023 crore), the first project on Build Operate Own Transfer basis with over a 30-year period. The project with IL&FS as its promoter achieved financial closure in 2002. The project was aimed at improving the living standard of 800,000 residents in Tirupur town and the periphery.

According to an NCAER report, the project was successful. The reason, the report says was that the contract was based on reliable data. The tariffs were linked to inflation and financial health of local bodies was ensured. "The government played a major role of project enabler," says the report. On the other end of the spectrum is the management contract based public-private partnership in water supply sector in Sangli, which was not as successful. This is the USAID and Indo-US Financial Institutions Reform and Expansion Project (FIRE) supported project. The reason, according to NCAER is lack of transparency in the bidding process.

For instance, tariffs were proposed to be hiked five times, without giving any plausible reason. Consultation with stakeholders that was an important part of creating acceptance about the an Tirupur project, was absent for Sangli project, the report adds.

Politics: An Economical Truth

"A number of areas are still very poorly defined in most PPP agreements," says Surya Sethi, advisor, Planning Commission. "These grey areas are open to interpretation and create so much uncertainty that foreign players who cannot manage the 'political economy' are not willing to bid."

With the State as a partner, PPPs expect all government clearances to come through easily. Crucial problems such as land acquisition are seen as solvable. But ground realities differ unpleasantly.

In 2002, the Delhi-Gurgaon Expressway was hailed as a successful PPP model. It was the first toll project where DS Construction, a Delhi-based firm, offered to pay the government for winning the award, instead of the normal practice of asking for a grant. But six years later, the government ended up paying the operator thrice as much on account of delays. Lack of planning at the project stage, unanticipated design changes, and land acquisition from multiple owners took their toll.

Changing project design on the whims of political masters has affected several projects. For instance, in the Delhi airport, the original blueprint was completely changed at the behest of the Ministry of Civil Aviation. Hyderabad-based GMR Infrastructure, its private sector player, already expects delays and cost over-runs.

A Delhi-based private operator who applied for a Railways container operation license invested nearly Rs 300 crore in preparing to transport iron ore in containers. However, just a few days before he was to run his train, the Railways decided to ban transporting iron ore in containers. "Such midway change of policy is unacceptable," says the operator.

Besides, the risks to be borne by the government and its private partners are not well-defined. While the responsibility of the land acquisition and getting various clearances lies with the government, it is the private operator who has to bear the brunt in case of delays.

Land acquisition is cited as a major problem for delays in the National Highway Development Programme. It roadblocks even new projects. "Sometimes, land acquisition cannot be done as the state government is not in favour of the centrally funded project," says IDFC's Private Equity head Luis Miranda. "Therefore, the partnership has to include the state government."

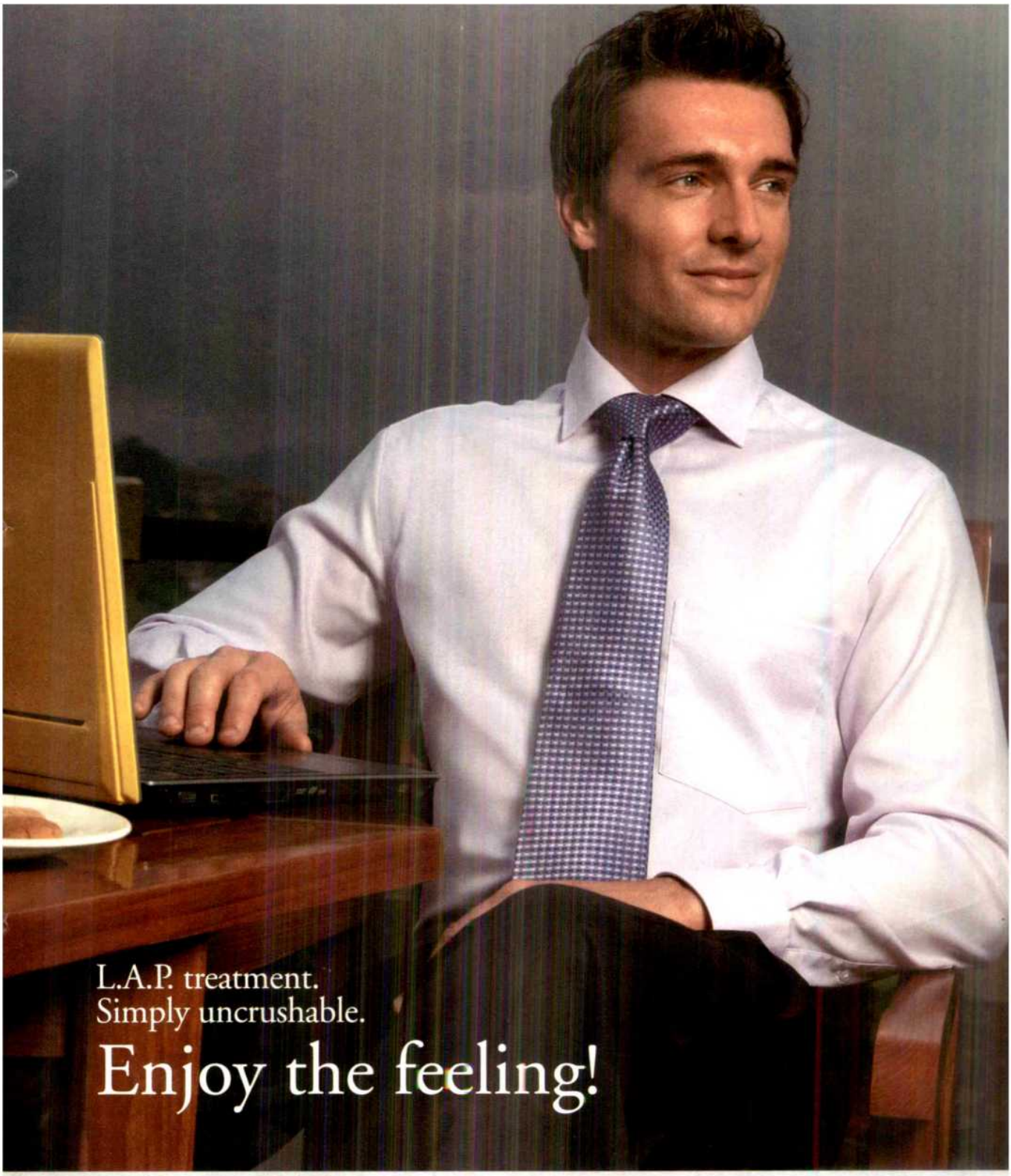
Deosthalee also says that the government needs to put all the clearances in place before the bidding process. M.S. Narula, managing director of DS Constructions, suggests a single window mechanism for speeding up clearances.

The ports sector, too, has no risk mitigation, says Mahajan. In Europe, it is the landlord port that provides basic facilities like dredging. "However, in India, port operators are not only expected to give revenue share but also invest in basic infrastructure," says Mahajan.

Moreover, conflict of interest queers the pitch. A landlord port like Navi Mumbai's Jawahar Lal Nehru Port Trust is competing with Dubai Ports and Maersk for container traffic. "Now, when a private terminal wants to have more land, the landlord port will dither over the decision for years together," says Raghuram.

Despite uncertainties, private sector has been bidding aggressively for projects in ports, roads and airports. However, these are just "islands of success", in Mahajan's view.

According to the World Bank, private investment in infrastructure has been just 1 per cent of India's GDP. Three times as much can bring in $20 billion of private investment into India. Truth is, unless the gaps in policy, funding and regulation are bridged, large-scale PPP will remain a nifty acronym. ■



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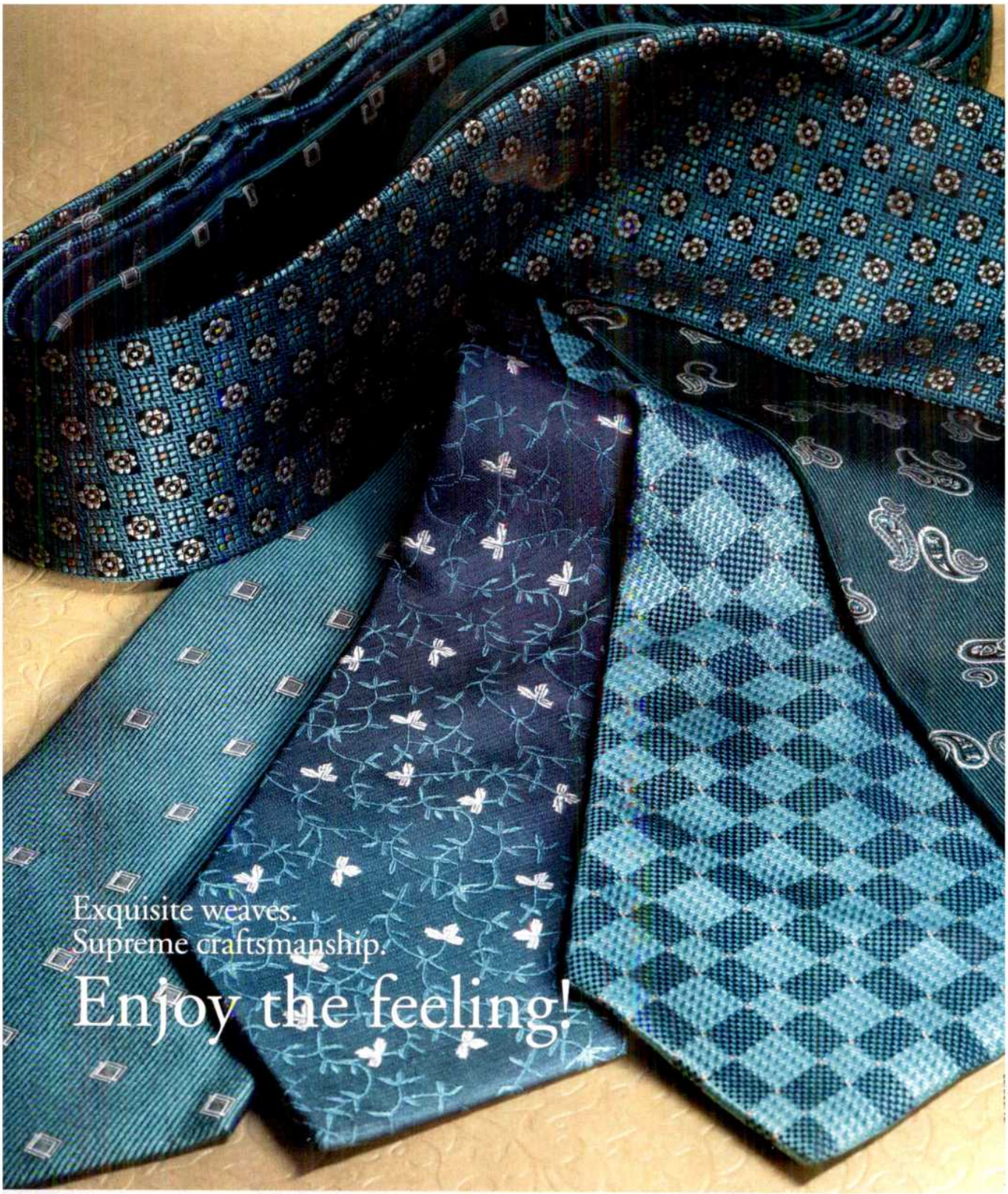

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Ann Woolner is a columnist for Bloomberg on Legal Affairs

Wal-Mart's best of bad remedies

WAL-MART'S labour practices are on trial, again, this time in Minnesota. Plaintiffs say the company stole time from some 56,000 hourly workers at Minnesota Wal-Marts and Sam's Clubs by making them work off the clock.

Screens around a courtroom display time records for 26 December 2000. They show the witness clocked out for lunch at 2 p.m. and clocked back in precisely 30 minutes later, the maximum Wal-Mart allowed. Not 28 minutes. Not 31 minutes. The exactitude hints that a supervisor might have changed the record to slip in a lunch break the witness never took.

How do you prove a widespread practice if individual incidents create nominal harm and are hard to pin down? If not through a class action, how are those who profit from a little bit of wrong done on a big scale stopped and punished, and how are the wronged compensated?

Plaintiffs say Wal-Mart knowingly hired too few people to do too much work. To fill the gap, managers pushed hourly workers to skip a lunch here, a rest break there, and sometimes stay a few minutes after clocking out, the lawsuits claim. Basic human functions took a back seat to the work, the workers say. The plaintiffs count millions of infractions, none worth much, given that their pay hovered around minimum wage. It's rarely worth it for individual employees to sue on their own.

In a company as big as Wal-Mart, the dollars add up. Shaving one-tenth of 1 per cent off Wal-Mart's payroll would save the company $138 million, Wal-Mart's then-CEO, David Glass, said in 2001 while exhorting managers to cut back on labour costs, the Minnesota plaintiffs' lawyer, Justin Perl, said in opening statements.

"When one inflicts minor harm across a dispersed population, the defendant is, practically, immune from liability unless a class is certified," the New Jersey Supreme Court said in allowing a class-action case against Wal-Mart.

While plaintiffs emphasise the big picture in these cases, Wal-Mart focuses on specifics. The strategy has served the company reasonably well in pre-trial skirmishes, not so well at trial. Lawyers for the company convinced courts in 19 of 30 attempted class actions of Minnesota, that the workers' complaints were too individualised to be lumped together. When class status is denied, the case usually dies.

Of the remaining 11 attempts, 10 suits won class status and one awaits a decision. The core of the case is Wal-Mart's company-wide conduct, the New Jersey court said. Common issues outweigh "individualised defenses advanced by Wal-Mart", the court said. So far, only two such class actions have made it all the way to verdict, and they brought whopping wins for the plaintiffs: $141 million in actual damages, punitive damages and state penalties in Pennsylvania and $172 million in California.

As for specific infractions, cash register records in California, for example, showed employees were ringing up sales during the same 30 minutes that they were at lunch. An internal Wal-Mart audit from 2000 showed that in a single week's time, in 126 out of 127 stores surveyed nationally, workers missed or cut short 76,472 breaks. Plaintiffs' experts have extrapolated those findings to apply them to the class.

Add to that the fact that store managers were rewarded financially to reduce labour costs every year. If it took forcing employees to work off the clock, those passing out the bonuses looked the other way, the lawsuits claim.

Since these cases began getting traction, Wal-Mart has changed its practices. Now, cash registers alert the cashiers when break time is approaching and lock them off the register when it's time, according to John Simley, a Wal-Mart spokesman, who declined to discuss the case in Minnesota. He says it's not clear whether these changes resulted from the lawsuits or from an independent upgrading of technology. It's hard not to see a link to the litigation. ■

Wal-Mart sought to increase profits by cutting back labour costs, not so legally

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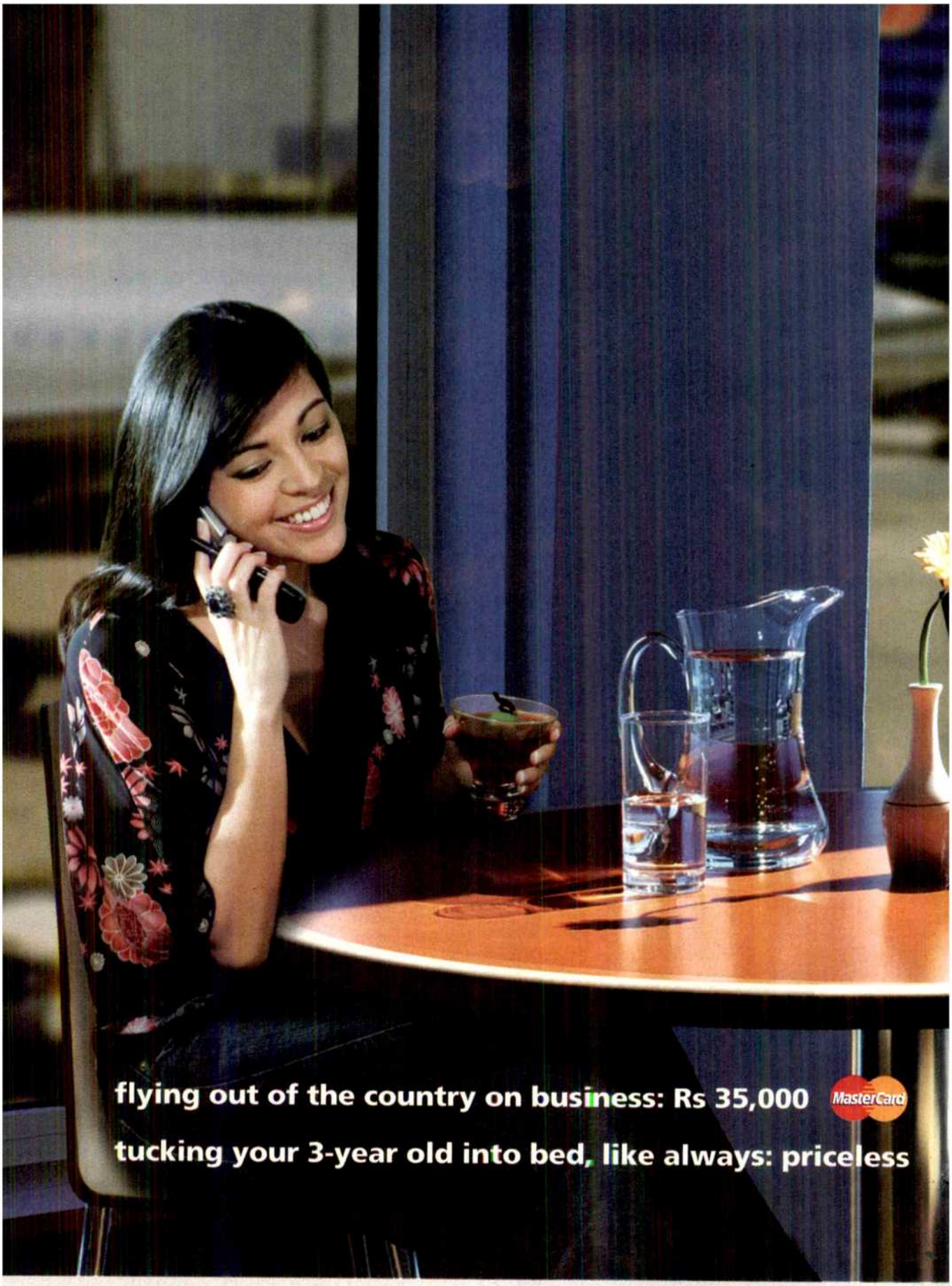

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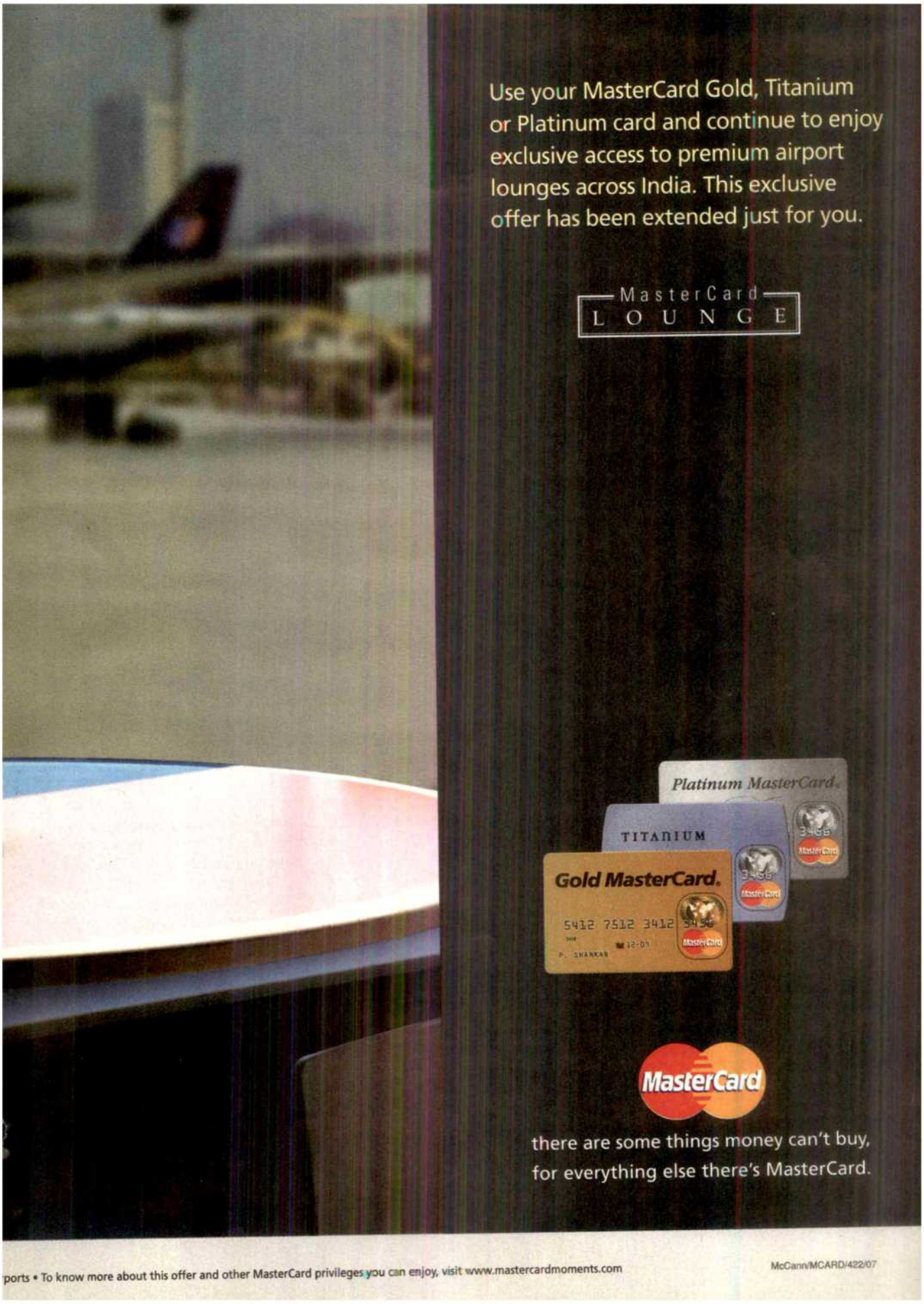
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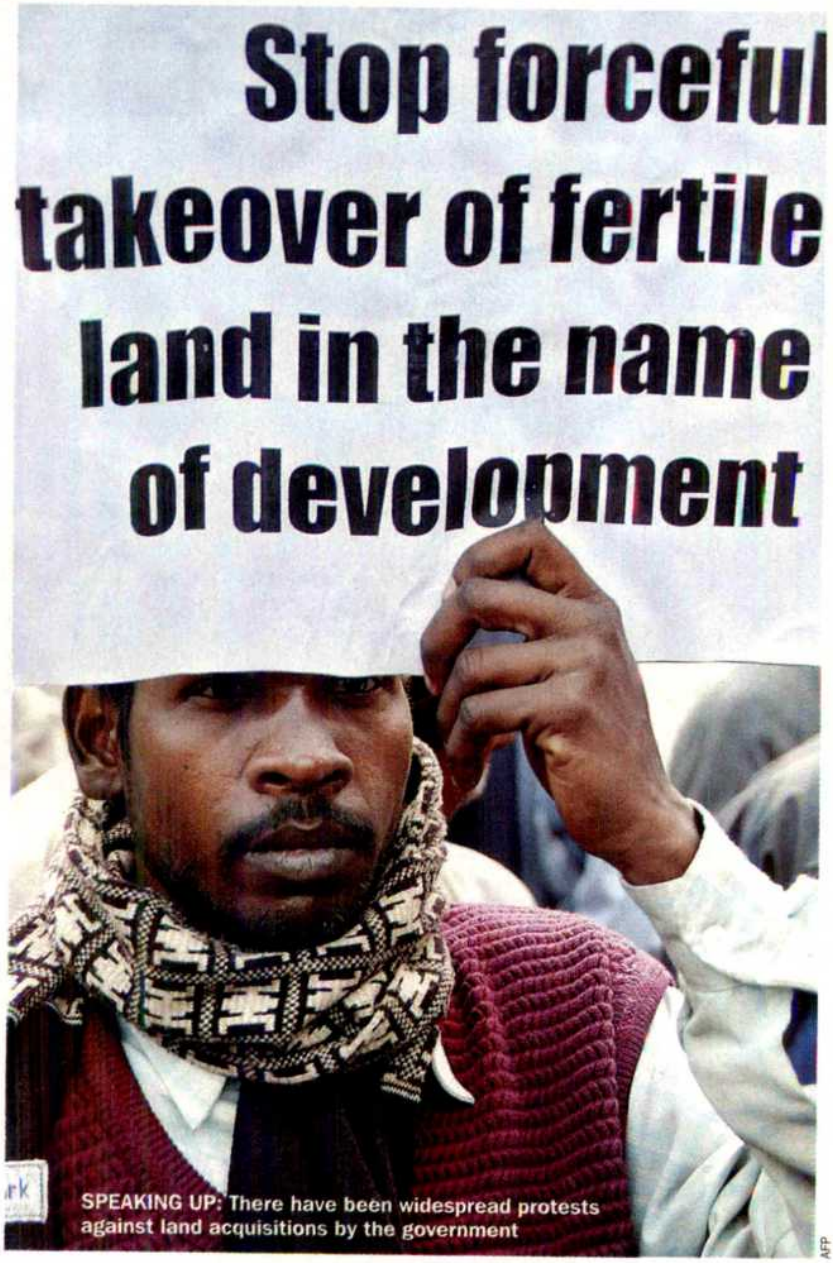

SPEAKING UP: There have been widespread protests against land acquisitions by the government

AFP

Wooing both, pleasing neither

The rehabilitation policy is riddled with loopholes, leaving both the displaced as well as the developers unhappy

LATHA JISHNU

THERE was initial delight on one side. Companies setting up huge realty projects and special economic zones (SEZs) viewed the new policy on rehabilitation and resettlement (R&R) along with the proposed amendments in Land Acquisition Act of 1894 (LAA) as measures that would ease their troubles over acquiring enough land for the enterprises. After all, the state governments are now permitted to acquire 30 per cent of the land required by a developer.

This provision, which brings the state back into land acquisition, is critical because it will ease the problem of contiguity that has bedevilled the major SEZ projects.

More significant, from the perspective of developers, is the approval given to a Bill that will broaden the definition of 'public purpose' for which government can acquire land. The proposed law not only brings into its ambit a huge swathe of public facilities, from electricity, communication and water supply to mining, but also makes it clear that the authorities can acquire land for a new set of players: 'companies and associations, and bodies of individuals'.

These provisions are clearly a major gain for investors, more so the inclusion of mining under public purpose. It is this sector which is not only attracting heavy investments but is also facing the biggest problem on land acquisition. Hence, the initial whoops of joy.

But on reflection, the SEZ developers have found gremlins in the policy. They want a fine-tuning of the provisions to smooth the path of acquisition and to keep the costs down. Ajay Nijhawan, convenor of the Panel of SEZ Developers set up within the Export Promotion Council for Export Oriented Units and SEZs (EPCES), says the spiralling cost of land acquisition remains a worry for promoters. Although the 30 per cent leeway given to government to acquire land is more than welcome — since April, there has been a freeze on states acquiring land following violent protests by farmers — it leaves the issue of pricing problem wide open.

Nijhawan points out that when the government acquires the remaining 30

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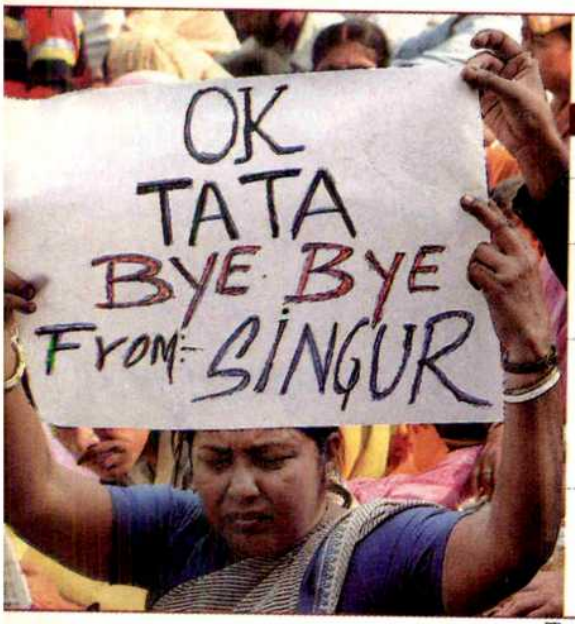

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Comprehensive infrastructural facilities and civic amenities in the resettlement area, including facilities for cattle grazing and up the other community resources	A pipe dream. This calls for a single point authority to coordinate with different departments. Also a big question mark over who would pick the tab for this
Life-time monthly pension to vulnerable persons, such as the disabled, destitute, orphans, widows, abandoned women	Not clear who will foot the bill

Source: *BW research*

per cent required by a developer, it is supposed to offer a 60 per cent solatium over the existing market price. That is, if a company has acquired 70 per cent of the land for a project at, say, Rs 5 lakh per acre, the cost with interest and solatium could be as high Rs 9 lakh-10 lakh for the part bought by government.

"What prevents farmers from holding back their land in the hope of getting the higher price?" asks Nijhawan, who speaks for an association of 70 SEZ promoters. These include all the heavyweights from Reliance Industries, Nokia SEZ and Mahindra Technologies to Ansal Properties, DLF, Infosys, Tata Consultancy Services and Unitech.

They want the government to fix a flat rate for all the land in a specified area based on the 'market price' inclusive of the solatium. "There ought to be price parity as otherwise the differential can be huge," complains Nijhawan. The state must also ensure that there is no speculation by demarcating certain areas for specific development projects.

The spokesman for the developers says he speaks from bitter experience. Nijhawan is vice-president for project coordination of Reliance's Haryana SEZ which has been unable to buy the required land in Jhajjar. Planned originally as a 25,000-acre project, it has been scaled down to about 7,000 acres and all of it scattered. The rate, when Reliance signed the agreement with Haryana in 2005, was Rs 2 lakh-3.5 lakh per acre, but "we have bought every single chunk of land at Rs 22 lakh", says Nijhawan.

The panel also wants the R&R perks to be made part of the land costs and incentivised because "a good amount of the costs are coming on to the developers". This is an argument that voluntary organisations and leading land rights activists refuse to buy. They see little good in the policy which, on the face of it, is a major improvement on the 2003 policy. For one, the policy tries to protect all those displaced by projects and not just the landowners. The government claims the policy's merit is that it strikes a balance between the need for land for developmental and the interests of landowners, and others like tenants, the landless, non-agricultural labourers and artisans whose livelihood depends on the land involved (see 'Sops For The Displaced').

Just pious statements, says Prashant Bhushan, Supreme Court advocate who has been campaigning for the rights of the dispossessed along with other activists like Medha Patkar of the Narmada Bachao Andolan. "Implementation is always the problem," says Bhushan. "Rehabilitation should be part and parcel of the LAA, otherwise it makes no sense."

His contention is that while almost everything can be defined as 'public purpose', these are not always in 'public interest'. Bhushan, like many others, wants an independent statutory body to determine whether a project involving large-scale displacement is indeed in public interest. This could prove to be an extremely contentious issue. Although the new policy says no project can be undertaken without a detailed Social Impact Assessment, Richard Mahapatra of the Centre for Science and Environment (CSE) points out that most of the investment — and displacement — is happening in the mineral-rich tribal areas.

What kind of empowerment do these tribal communities enjoy, asks Mahapatra who coordinates the natural researches management and livelihoods unit of CSE. The cost-benefit analysis is always done from the perspective of business and not from that of the tribal communities who stand to lose everything. In fact, the inclusion of mining in the definition of public purpose will only help investors because companies will find it easier to acquire tribal land through the government route. Under the present law, private parties are not allowed to acquire land in the scheduled areas.

The land-for-land provision would be meaningless in the case of tribes who cannot make a living outside the forest. "It entails a new economic paradigm for the displaced community," says Mahapatra. His contention is that the new policy is entirely about *resettlement* and has very little to do with rehabilitation. In sum, the conflict over land will not be resolved. ■

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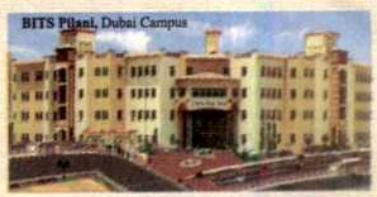

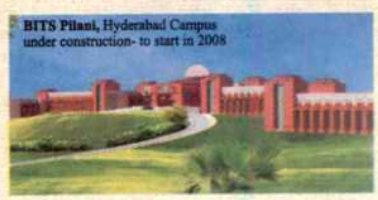

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FLYING HIGH SKY HIGH

Taking off alongside a skyrocketing aviation sector, HP Aviation, a division of Hindustan Petroleum Corporation Limited has combined impeccable quality standards with unmatched customer service to achieve a compounded growth rate that's nearly twice the industry average

< S.P. Singh, head, HP Aviation SBU

In the high security zones of the country's international and domestic airports, teams of highly trained professionals dedicated to maintaining timely supplies of aviation fuel to world's leading airlines, work round the clock. Aviation fuel is one of the least visible and most sensitive lines of business in the oil industry. As the tarmac glistens, engines rev up, passengers strap into their seat belts and crews prepare for take off, yet another aircraft ascends to the skies, not far behind the one ahead, not far ahead of the one behind. Always near all this fascinating action, HP Aviation maintains fuel supply lines efficiently, unobtrusively and indispensably, achieving a compounded growth rate that's nearly twice the industry average. It's just another day at work for HP Aviation.

A success story that has kept step with the recent and phenomenal increase in air travel in the country, HP Aviation has been one of the Indian oil industry's true success stories. In a significant move that signaled a major shift for the nation's oil sector, Hindustan Petroleum, India's second largest integrated oil company, carved out HP Aviation, the company's Aviation Business Unit, to cater exclusively to the aviation market in the country. Since then, HP Aviation's market share has increased from 9.8 per cent in 2002-2003 to more than 15 per cent in 2006-2007. HP Aviation's airline customer base has increased from a meagre 8 to more than 50 during this period All of this adds up to a compounded growth of 27.7 per cent, nearly twice the industry average 15.3 per cent.

FUEL FOR THOUGHT

HP Aviation has transformed the Indian jet fuel market with its customer centric approach. For years, India' airline sector had no option but to take what was made available by its monolithic oil industry. HP Aviation offered the luxury of superb customer service. In the last four years, HP Aviation has blazed a trail that jet fuel suppliers of other oil companies could only try hard to keep up with. Success has touched virtually every parameter : sales, profits, customer base, brand image, operating standards and customer satisfaction.

From having already being ranked the highest among all the India Jet Fuel Marketers and now ranked the **"World's Best Regional Jet Fuel Marketer"**, sharing this honour with global leaders like Cosmo Oil (Asia Pacific), Statoil (Europe), Petrobras (South America) and World Fuel Services (North America) in a survey conducted by the Armbrust Aviation Group, USA, HP Aviation is a shining example of sustained and comprehensive efforts paying off in the short as well as long run. While the growth in sales in a proud achievement in itself, at HP Aviation it has only served to make way for all round improvement, clearing the way so that the company can continue to fly high in the years to come.

It was in December 2002 that HPCL's higher management decided to pull out its aviation fuel business from single digit market share figures, and give it a thrust more suited to a business dealing with jetliners. The first step in this direction was the formation of a separate Aviation SBU (Strategic Business Unit), and the second was to have Mr S.P. Singh head it. A management graduate from the University of Hull, UK, Mr Singh brought his considerable experience in marketing, operations, distribution and human resources within the organization to full use as he took the lead in an atmosphere of heightened expectations.

A core team was formed in the SBU, with emphasis on the deployment of specific personnel in both the headquarters office, and at the company's major locations. A dedicated ace team was thus put in place. This core team met and brain-stormed for three days to help identify the organization's strengths and weaknesses, and draw up a flight plan for the future. With the main intention of boosting sales and enhancing market share, key measures were identified and executed. The entire Aviation SBU

moved in synchronicity in the years that followed. Goals set were met and, in most areas, results exceeded expectations.

IN CONVERSATION...

WHAT DO YOU MEAN WHEN YOU SAY YOU HAVE ALIGNED ALL ACTIVITIES TO MEET CUSTOMER NEEDS?

HP Aviation shifted its focus from its internal capabilities to the customer and hence, instead of providing customer service on the basis of existing capabilities, we developed capabilities to cater to customer needs. Apart from keeping up our supply of quality product, and maintaining high safety standards and on time performance, we brought in some specific aspects for focused alignment of activities. One of the first among these was the launch of a multilingual website. Apart from English and Hindi, HP Aviation took the initiative to have its website in German, French, Korean, Italian, Spanish and Chinese language, to enable customers from various parts of the world to understand HP Aviation in their own language. We also launched HP Aviation's customer portal, which provides all its customers with easily accessible and timely online updates on prices and billing, all of it through the Internet.

Besides these, HP Aviation provides joint promotional support to the airline companies it serves. This is done via outdoor marketing through hoarding displays at prominent gas stations, and with print ads in various business magazines. HP Aviation was the first and remains till date the only company providing refueling panel operation of aircraft for select customers. This has been achieved without any problems after adequate training of personnel by the customers.

Decorating the counters of airlines on special occasions like inaugural flights was a pleasant surprise for the passengers and helped our customers connect better with their customers. We also collaborated with airlines for dispensing tickets from our gas stations - this was another first from HP Aviation.

COULD YOU ELABORATE ON HOW REFUELLING EQUIPMENT AND FACILITIES ARE UPGRADED TO ENSURE THAT THEY MEET THE LATEST INTERNATIONAL NORMS FOR SUCH FACILITIES?

We have upgraded all our major facilities and operate with the latest refuelling equipment fleet. Our refuelling fleet is equipped with API 1581 Filters having 1 micron rating. This is way ahead of specifications mentioned by Director General of Civil Aviation (DGCA). Our equipment now meets all standard specifications demanded by international agencies like the International Air Transport Association (IATA), Joint Inspection Guidelines, (JIG) etc.

To ensure highest standards of safety, HP Aviation has designed large refuellers with a hydraulic drive for the pump. This has made operations safe by eliminating product movement near the engine and other heated parts of the vehicle. It has also enhanced operational reliability. Refuellers are also equipped with high level shut off systems to ensure safety of refueling operations in the airfield.

The success of our efforts can be seen from the fact that HP Aviation is the only oil company whose operating standards in Chennai have been certified by the IATA (IFQP) as needing inspection only once in two years instead of the normal standard of annual inspection.

HOW HAS HP AVIATION BECOME GLOBALLY KNOWN AS A RELIABLE SUPPLIER?

HP Aviation has done this by aligning all its activities to customer needs, by augmenting and upgrading facilities, and by positioning skilled and dedicated manpower at all levels. HP Aviation has also become a globally acknowledged reliable aviation fuel supplier by enhancing operating procedures to international standards, creating a unique identity for HP Aviation, and by being a responsible corporate citizen.

HOW HAVE YOU BEEN ABLE TO ESTABLISH THE HP AVIATION BRAND?

The HP Aviation brand benefited from active participation in IATA forums, followed by intense customer interactions. Together, this resulted in a strong brand image for HP Aviation within the airline fraternity. A new and attractive colour scheme for refueling equipment was put in place. A multilingual aviation website in major international languages brought customers worldwide closer to HP Aviation. Promotional endeavours with airlines through print media, hoardings at retail outlets, and support to events relevant to different airlines and HP Aviation were additional elements of our strategy. The success of these endeavors resulted in HP Aviation being appointed to the Fuel Suppliers Advisory Panel of IATA, the only such representative from developing countries. We now share the stage with global oil giants like Chevron, Exxon-Mobil, Shell, Air BP, Air Total, Conoco Philip, Statoil and so on.

HOW WOULD YOU SAY THAT YOU ARE REALLY THE PREFERRED JET FUEL SUPPLIER FOR THE AIRLINES?

The tremendous growth achieved by HP Aviation during the past 4 years is a vindication of the faith reposed in us by the airlines. Various interactions with the airlines have reiterated the fact that HP Aviation standards are the highest in the Industry. Some of the remarks made by the airlines aptly reflect this. Says J.M. Reeb, IATA IFQP Fuel Quality Pool, "HP is now perfect. Inspection period raised to 2 yrs. 100% full fill IATA/IFQP requirements. Congrats for the great job done." In the same vein, adds Erik Eckblad, Lt Col US Air Force One, "The best ground service we have had - never missed an appointment and we always had our requirements met. Look forward to the next visit."

WHAT IS YOUR TAKE ON THE AVIATION FUEL SECTOR: ITS CURRENT TRENDS AND ITS FUTURE EXPECTATIONS?

In the last 5 years, the growth of the Indian economy has resulted in greater disposable incomes for many Indians. Increasing numbers of Indians are flying for business and leisure. The advent of low cost carriers is enabling first time fliers to move away from rail and road travel. This has further boosted the boom in the aviation sector. Intense competition among the airlines has seen very attractive fares for the traveller, leading to a further spurt in the industry. The passenger throughput in India is now above 75 million per annum, as compared to the dismal 40 million in 2000-01, and it promises to reach 100 million by 2009-10. The growth in freight tonnage is a similar story. Oil companies have kept pace with the enhanced demands for jet fuel. Sales have skyrocketed to 4,008 TMT (thousand metric tonnes), up from 2,250 TMT in 2001-02. With an estimated 300 aircraft flying the Indian skies, and more than 400 waiting to be added to this list in the next 5 years, we can anticipate jet fuel consumption to double during this period. Oil companies are gearing up to meet this increasing demand. Augmentation of the different refineries will help meet this goal. At HP Aviation, we are all set for a great flight.

Mixing the stocks

Newly listed large-cap stocks get easy entry into indices as markets zoom

RAJESH GAJRA

COMPLEX as they are, the issues surrounding the rejig of stocks in the National Stock Exchange's (NSE's) 50-stock S&P CNX Nifty Index and Bombay Stock Exchange's (BSE's) 30-stock Sensitive Index, are playing themselves out more dramatically than before. Newly-listed large cap stocks today satisfy the exchanges' index inclusion criteria of market capitalisation and liquidity more easily and quickly.

Recent examples of this are the real-estate stocks DLF and Unitech. NSE announced on 11 September that Unitech will replace IPCL in Nifty from 5 October. Within days, the BSE said DLF will replace Dr Reddy's in Sensex from 19 November.

Although it appears both the exchanges wanted real estate representation in their indices, the method adopted to pick the particular stocks is quite different. The BSE, it seems, doesn't wait long to bring newly listed stocks into Sensex. DLF, for instance, was listed on 5 July, and entered the Sensex in just four months. Last year, Reliance Communication found a place in the benchmark index on 12 June, just three months after listing.

The NSE criteria, on the other hand, were such that Reliance Communication made it to the Nifty on 1 September last year, three months after BSE put it in Sensex.

Transparency levels vary too. The NSE has two committees — one responsible for policy in managing indices and the other to decide on revisions. The committees' members' name are revealed on NSE's website. The BSE has just an index committee but does not reveal the identity of its members.

Both the exchanges apply different criteria for including new stocks in their indices. To qualify for Nifty, NSE expects a stock to have a minimum market cap of Rs 500 crore and less than 0.75 per cent impact cost (on an index basket size of Rs 50 lakh) on six-monthly average. For IPOs, the average period is three months, but in practice it has never got an IPO into Nifty before 5-6 months.

The BSE requires a stock be listed for three months and be traded daily to qualify for the Sensex. The stock must also be among the top 100 companies arrived at by applying two three-monthly average criteria — market cap (75 per cent weight) and impact cost (25 per cent weight).

Despite such complexities, both the exchanges do not reveal how stocks earn a place in their indices. While both review their indices quarterly, the process is more defined in the NSE than the BSE. DLF's inclusion is a case in point. It listed on the BSE on 5 July, completed three months on 4 October. The BSE announced its inclusion in the Sensex on 8 October. ■

THE REJIG MOVES

Year	Nifty/Sensex	
	Times index revision occurred	Stocks that were reshuffled
2007	3/2	4/2
2006	2/1	3/1
2005	2/1	2/2
2004	4/2	5/2
2003	2/1	3/5
2002	3/3	7/4
2001	0/1	0/1
2000	3/1	4/4
1999	2/0	5/0
1998	1/1	7/4
1997	3/0	4/0
1996	1/1	6/15

Source: NSE, BSE

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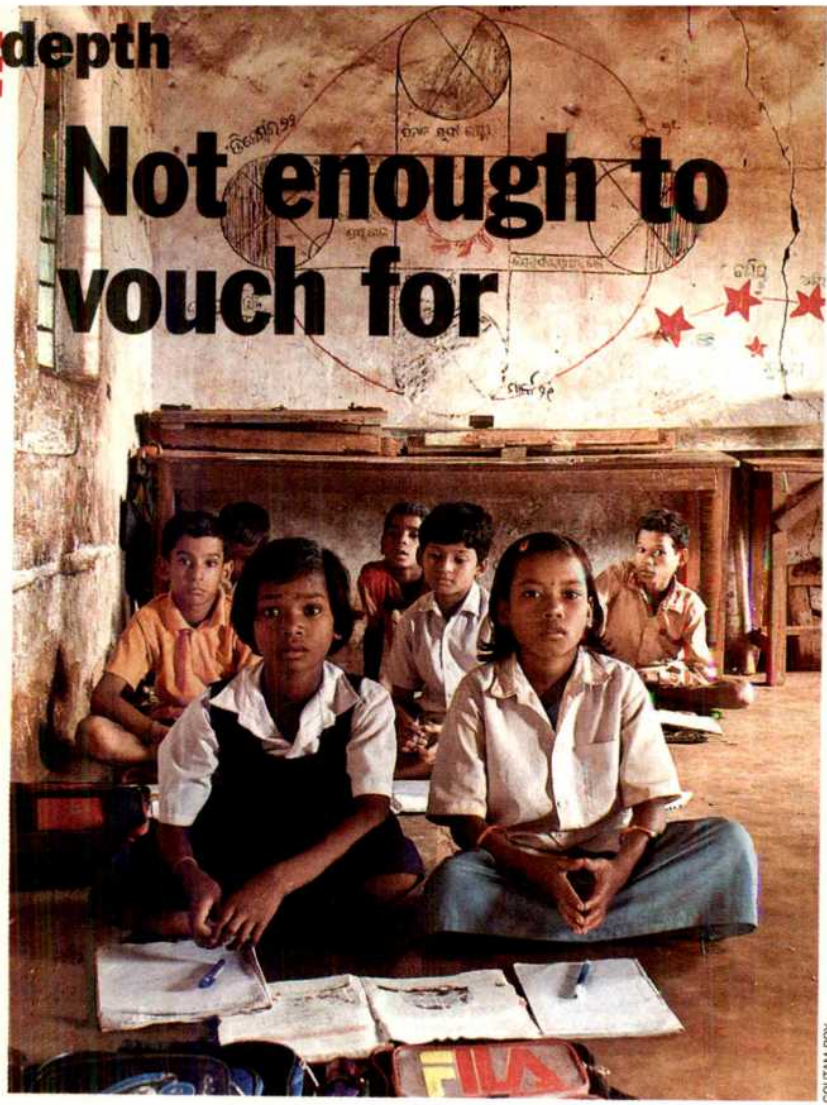

GOUTAM ROY

Education vouchers allow the poor to pick better schools for their children. But are they a viable option for India?

JAYANT SINGH

ABOUT 50 years ago, legendary economist Milton Friedman had proposed a system that would allow the poor to send their children to schools of their choice and not be restricted to the inefficient public ones. Since then, vouchers have revolutionised policy making in education across the world. Except in India, that is. But that might just be changing now.

Centre for Civil Society (CCS), a Delhi-based non-profit research organisation, launched its pilot school voucher programme in March. It gave out vouchers of Rs 3,600 each to 408 children to fund one year of their education.

Offered as cash certificates to be redeemed at private schools, education vouchers are seen as a tool to promote free-market competition among government and private schools. A rush towards private schools is expected to force government schools to improve their standards in order to survive the competition.

"Our research has shown that parents in lower income groups want to send their children to private schools instead of free government schools," says Neha Jhingon, senior campaign associate for CCS's School Choice Campaign.

There has been significant pressure on the government to raise standards of education in government schools, given their poor infrastructure. "Even after the implementation of the Right to Education Act in 2005, there is still a huge demand-supply gap in Indian education," she says.

Arvinder Singh Lovely, minister for education in the Delhi state government, echoes Jhingon's views. "Although the priority is to improve government schools, education vouchers should also be on the government's agenda in the long run," he says.

While education vouchers may have found strong proponents in the government, there is also strong opposition from other lobbies. Globally, the case against education vouchers is based on the premise that the State's focus gets diverted from raising the standards of public schools (which should be the long-term goal) to funding the voucher programme (which is only a temporary solution). But the experience has been different in different countries. And India presents its own unique challenges.

"Vouchers are not at all feasible in India," says Radhika Menon, a lecturer in education at University of Delhi. "They are encouraged primarily by the private school lobby to extract the benefits that come with inducting voucher-sponsored students. It becomes a device for these schools to claim various forms of subsidies from the government." And the rationale for such subsidies? The costs that they incur in inducting such students. "The result is that the government ends up subsidising government schools as well as private schools," she says.

Menon believes that the voucher amount, in most cases, will not be enough for enrolling poor children at high-end schools. "Even the recent 25 per cent quota that was imposed on private schools for children from lower income groups has been a failure," she says. "This shows that the schools themselves are not willing to admit poor children." So, the the only option that remains with the children is the cheaper private schools. The argument that the quality of teaching in these schools is better than that in government schools is disputable, says Menon.

For now, vouchers have raised the debate over what plagues India's education policy. Considering that 40 per cent Indians can not even sign their name, the debate seems worth the time. ■

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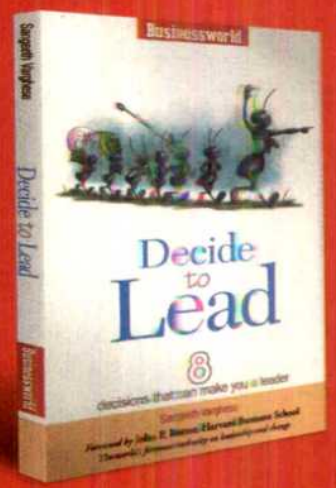

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Inside the GREEN ROOM

A new breed of business-savvy designers is pushing the Indian fashion industry towards cohesive growth. By Sumati Nagrath with K. Yatish Rajawat

EVERYONE agrees that India's fashion industry has the potential to grow by leaps and bounds. Everyone also agrees that the Rs 180-crore industry has, until now, failed to realise this potential.

In content, India's fashion vocabulary has expanded to create globally esteemed couture. Some designers have been going places too. From the ramps of prestigious Paris and Milan Fashion Weeks to the racks of leading New York and London stores. But the industry in India as a whole is yet to achieve a critical scale.

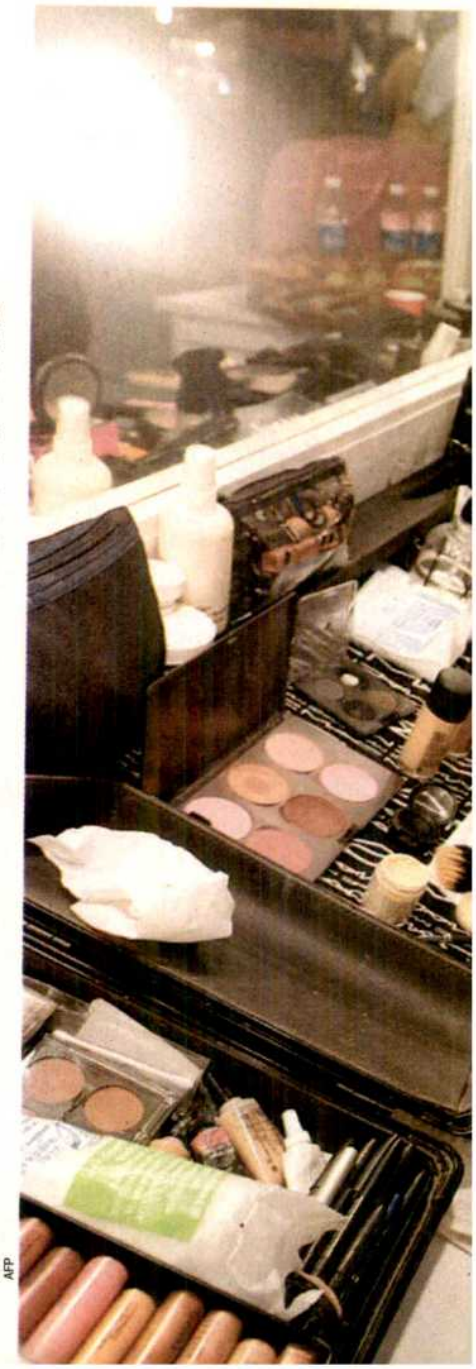
Even the biggest player in the country, Delhi-based Genesis Colors with revenues of Rs 70 crore in 2006-07, remains small by global standards. Largely, because standalone designers refuse to rise above their individual hype and create a cohesive industry. "Unorganised is the only word that describes the current state of the Indian fashion industry," says Rathi Vinay Jha, the director general of the Fashion Design Council of India (FDCI). Set up in 1998, the Delhi-based FDCI represents the interests of fashion designers and supports them through initiatives such as the India Fashion Week.

A 2003 KPMG study pegged the worth of the country's entire designer-wear industry at Rs 180 crore. According to the study, that is just 1 per cent of the Rs 19,140-crore domestic apparel market and a mere 0.1 per cent of the $40-billion global fashion industry. These numbers, however, are contested by the FDCI, which estimates the industry size between Rs 600 crore-Rs 700 crore with an annual growth rate of 20 per cent. But it does not have its own industry figures — as most designers refuse to share their financial information — a clear indicator of the lack of corporate culture in the sector.

Backyard Enterprise To Global Giants

Fortunately, the entry of organised retail, capital from foreign design houses as well as private equity seem to be pushing the fashion fraternity to organise themselves. The trend is on the lines of the global fashion industry, where every big designer faces the challenge of ensuring perpetuity of brand and business. This has forced European fashion houses such as Gucci, Prada or Moët Hennessey Louis Vuitton (LVMH) to transform themselves from single designer-led proprietory enterprises to professionally-run corporate businesses.

Gucci's is a case in point. Founded by Guccio Gucci in 1921, the Italian fashion house started out as a small, family-owned leather goods store in Mi-



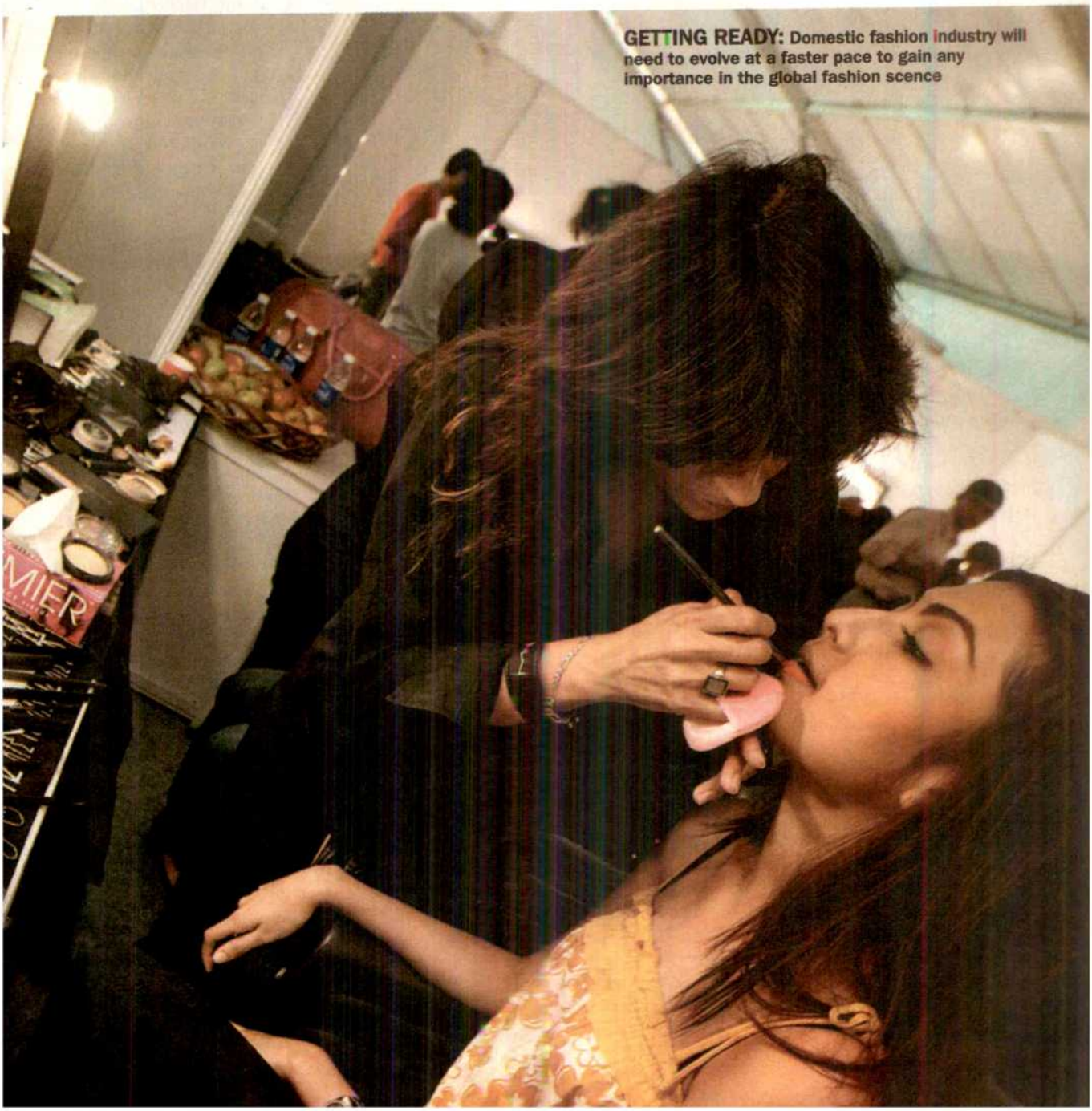
AFP

lan. Today, it has over 200 franchised and company-owned stores worldwide. The company worked its way through ferocious family feuds, hostile takeover bids and huge losses in the late 1980s-early 1990s by selling part equity to Investcorp, a Bahrain-based firm.

Investcorp eventually won full control in 1993 and took Gucci public in 1995 with a valuation of $135 million (Rs 472.5 crore, then). In 1999, France-based Pinault-Printemps-Redoute bought 40 per cent stake in Gucci to prevent a takeover bid by LVMH. Soon after, Gucci began a series of strategic acquisitions, which included the French fashion house Yves Saint Laurent, Boucheron, Sergio Rossi and Balenciaga. Gucci launched its first store in the country in Mumbai earlier this month.

That seems to be the route domestic designers are starting to follow. Indian designers who are transforming themselves and acting as change agents for the industry, fall into two categories. The first includes Satya Paul and Ritu Kumar who have achieved size, and are aiming at consolidation. They are also ensuring perpetuity by bringing their second generation on board. The second category of players comprise designer firms owned by Tarun Tahiliani, Rohit Bal, J.J. Valaya, Manish Arora and Sabyasachi Mukherjee, who are licensing their brands and tying up with textile majors or organised retail firms. "But only a handful of people have put management processes in place and hired professionals to run their businesses," says FDCI's Jha.

The transition from a standalone designer enterprise to a multi-brand fash-



GETTING READY: Domestic fashion industry will need to evolve at a faster pace to gain any importance in the global fashion scence

SANJIT KUNDU

RIGHT FOOT FORWARD: Designers such as Manish Arora and Sabyasachi Mukherjee are choosing to concentate on on developing their couture lines to build a strong brand identity

ion house is a three-step process. Brand building through couture (made to order, one-of-a-kind outfits) which establishes a distinct and strong brand identity is the first step. Next, the couture brand is leveraged to develop prêt lines (ready to wear outfits bought off the rack but with strong design elements) that give the company volumes necessary for higher profits. A strong couture brand also increases the opportunities for licensing. The final stage of the transformation is the inflow of capital (through private equity, venture capitalists or an initial public offering) which, then, allows the company to acquire stakes in or takeover other brands and product lines, much like what Prada, Dior or Gucci have done.

Growing Beyond The Hype

While there are several brands in the Indian fashion industry, none of them can claim a critical size as a corporate. This is precisely the opportunity that companies such as Genesis Colors, which has completed the first two steps to achieve status and size, are looking to exploit. The firm has already snapped up three brands in the market and is looking for more. "We are looking forward to acquiring more Indian labels and then build a corporate structure in the fashion industry," says Sanjay Kapoor, managing director of Genesis Colors.

Kapoor started out as a licensee for Satya Paul ties and then formed Genesis Colors in 2002 along with equal partners, Puneet Nanda and Jyoti Narula. Satya Paul was the first label in the enterprise's portfolio. Last year, Genesis raised funding from the private equity arm of JM Financial. With cash on its balance sheets, the company is now trying to emulate the acquisition model of the world's largest luxury goods conglomerate LVMH. It has acquired the Shobhaa De label as well as the licensing rights for Valaya Quantum, a line from the House of Valaya, a J.J. Valaya family firm.

According to Kapoor, Genesis Colors is now looking at the brands that have the potential to grow but do not have the management bandwidth. Genesis Colors holds fashion labels such as Satya Paul, Deepika Gehani and the multi-brand designer store Samsaara.

On the other hand, acquiring Indian labels is not an easy game. "The expectations of Indian designers are not in line with business realities. Instead, they are reflections of their media hype. It is very difficult to close a deal quickly here," says Kapoor. Despite this, even LVMH is looking at India to acquire a brand or work with Indian designers on licensing their product lines.

Ritu Kumar has moved towards the mass market with her retail model and couture has taken a backseat. The move gives her volumes and a majority market share of the designer-wear industry. But, it took her over 30 years to get here. Not everyone can follow the same model. Tarun Tahiliani, Rohit Bal, and J.J. Valaya still pay emphasis to couture despite launching successful prêt lines. At the same time, these players along with Manish Arora and Sabyasachi Mukherjee are creating alternative revenue streams.

According to T.J. Singh, managing director, House of Valaya, couture is making a comeback world over and will remain its prime focus. "J.J. Valaya Couture is our most important label designed by JJ himself," says Singh. The pieces created under this label cost in excess of Rs 50,000. But Valaya has created an alternative revenue stream from his label 'Quantum', which is licensed to Genesis Colors and retails for Rs 6,000-50,000.

The House of Valaya is not ready to acquire other brands but is instead expanding its brand portfolio, product lines as well as diversifying into related businesses. These include the launch of a new western-wear line, 'Valaya', in April 2008 and a casual sports wear line Val.id to be launched in 2009. "We also plan to get into retail training for luxury goods and designing and operating luxury retail spaces," says Singh. Clearly, these developments are part of their brand-building strategy.

Waiting In The Wings

It is a clear cut divide. The industry players part ways when it comes to a choice between the mass-market proposition with VC funding and the creative freedom to stay high end.

Much of the young breed of the designers shies away from investors and stay focused on creating star brands. The possible threat to creative freedom

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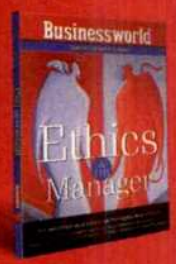

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is a concern for Deepak Bhagwani, co-director of Three Clothing Company, owner of the labels Manish Arora and Fish Fry. "We have actually refused funding on a couple of occasions, as it would have meant diluting our design sensibilities," says Bhagwani. "As long as we can keep it together and continue to grow at our current pace of about 35 per cent per annum, we are happy."

"In 2001, we started with only nine employees and had a turnover of Rs 14 lakh in our first year. Our sales figure for 2006-07was Rs 5.16 crore and we now employ 250 people," says Bhagwani.

Fashion brands THAT HAVE DISAPPEARED

A FEW years down the lane, India's fashion houses may follow the Italians. A number of Italian fashion companies have either launched IPOs this year or are planning to list in 2008. The Aeffe group, holding company for brands such as Alberta Ferretti and Moschino, got listed on the Milan Stock Exchange in July this year with a share price of $5.74. That puts the company value at $616.28 million.

Next in line are Prada, the fashion house and Salvatore Ferragamo, the shoemakers. After calling off its plans for an IPO several times before, this time Prada has signalled its seriousness by looking for a head of investor relations. Based on its sale of 5 per cent stake to Intesa Sanpaolo last December, Prada is worth at least $2.7 billion.

Other companies such as Damiani, Versace and Furla have brought in professional managers to separate family shareholders from those in charge of operations to prepare for the IPOs. Italian fashion companies hope that the funds generated will fuel their expansion in new markets such as China, Russia and India, where they are struggling to compete with conglomerates such as LVMH. Louis Vuitton went public as early as 1984 and was followed by Gucci in 1995.

Though there is unlikely to be an Indian fashion house launching an IPO anytime soon, the Italian example highlights the need for the companies to move away from entrepreneurial style of operations to a more professionally-run business. At the moment, Genesis Colors is the closest to such a style of operation. "An IPO in the next five years is a distinct possibility," says Sanjay Kapoor, managing director of Genesis Colors. ■

Sabyasachi Mukherjee, the only other designer, besides Arora, willing to show his balance sheet, has had a similar growth trend. His annual sales have grown from Rs 44 lakh in 2002-03 to Rs 6.58 crore in 2006-07 and the pre-tax profits from Rs 7.5 lakh to Rs 1.2 crore.

Both Arora and Mukherjee have opted for organic growth models, ploughing their accruals back into their companies. Around 20 per cent of revenues for Mukherjee comes from exports and for Arora it is as high as 50 per cent. Both have displayed collections in international fashion shows to critical and commercial success, which brought them licensing propositions as well.

For Arora, the strategy of creating a distinctive brand identity and then licensing designs has proved a success. He has collaborated with Reebok to design a collection of shoes under the brand 'Fish Fry for Reebok'. Other international brands to sign on Arora to design signature collections are Canada-based cosmetics giant, Mac and Swatch, the Swiss watch company. Both are due for launch next year. Mukherjee has just announced 'Bombay Dyeing Sabyasachi Tao Collection', his exclusive bed and bath line for Bombay Dyeing.

There are others who are adopting similar models of growth, as licensing is an excellent revenue stream that also mitigates risk. It may be the best way forward for designers who simply do not have strong manufacturing bases and are reluctant to take on VC or PE funding. Says Jha, "There are corporate tie-ups happening. We know that a few designers are in talks with leading names."

The Lure Of The Mass

Sudhir Dhingra, chairman and managing director of Orient Craft, India's second largest apparel export house has his own strategy. He along with other promoters has acquired 284 acres in Manesar, Haryana to set up Fashion Village, a fully notified and approved special economic zone. Less than a 20-minute drive away from Delhi's international airport, the Fashion Village aims to be a space "where every aspect of India's fashion industry — from design to commerce to manufacturing — shall come together", says Dhingra.

With the annual sales of over Rs 750 crore last year, Orient Craft outweighs the net worth of the entire design-wear industry. "The apparel export community has strong international linkages and state-of-the-art manufacturing facilities, while the designer community has tremendous talent," says Dhingra. "I see no reason why the two sectors cannot come together."

For Dhingra, the future is in volumes. "I am aghast at the efforts that the designers put in to creating just 4-5 pieces," he says. "To be recognised as a global industry we need our designers to sell, say, 70,000 pieces through Macy's 800 stores." This is where Dhingra parts ways with the likes of Arora and Valaya who prefer to focus on smaller numbers and create a distinctive brand identity. Obviously, there is no one way to do it, but the differences in opinion make it harder to forge strategic alliances and partnerships that are necessary for the cohesive growth of the industry.

According to the 2003 KPMG report, the highest sales turnover within the designer-wear segment was Rs 25 crore, with other established names having smaller returns of Rs10 crore - Rs 15 crore. It also pointed out that among the 140 FDCI members, the top 25 per cent designers accounted for just over Rs 100 crore and only 15 had revenues of over Rs 1 crore. Latest figures are unavailable. But it can safely be said that figures would not have changed dramatically. Despite the best efforts by some designers, India is still a long way from a fashion domain shaped by companies worth anywhere near $100 million. "I hope I live to see the day," says FDCI's Jha. ■

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Trailblazing innovator

In DuPont's 205-year history, Uma Chowdhry is the first woman to head R&D. Her story. By Puja Mehra

ON 24 January, DuPont's 150-acre campus style Experimental Station in Wilmington, Delaware hosted US President George Bush. He stopped by at the high-tech R&D centre to follow up on his state of the union address, in which he set the country an aggressive goal of 20 billion gallons of biofuel production by 2020, to learn how the US might go about achieving the stiff target.

Everyone at DuPont was pleasantly surprised. Though set up over 200 years ago, this was DuPont's first Presidential visit. And yet, as his motorcade drove out of Wilmington that afternoon, it was Bush who was perhaps more moved than any other on that campus.

At the Experimental Station (ES), Bush met the head and chief science and technology officer of the world's largest chemicals maker, 59-year-old Indian scientist Uma Chowdhry. The first woman ever to occupy that position.

As she took him through the rehearsed tour of the facility, Bush asked Chowdhry when she came to the US. "I came to the US in 1968 with $8 in my pocket," she replied. "He immediately wanted to put his arm around me and have a picture taken of the two of us."

Chowdhry's is the classic Cinderella story — swap magic with hard work and nerve and Fairy Godmother with Uncle Sam. Growing up in a middle-class Mumbai family, she learnt to aim high at a young age. Her stockbroker father wanted to be a doctor but could not because he had to support his family. He drove Chowdhry, the youngest of his three children, to excel at school, and insisted that she "go and get the best education the world has to offer". A few years later, in 1968, a saree-clad, 20-year-old physics graduate from the Indian Institute of Science set out to the 'land of opportunity' where she would materialise her dream of becoming a nuclear physicist.

It was a courageous decision when few women left Indian shores to get a career in science in the 1960s. "It changed my life, hopes and aspirations," says the lanky, bespectacled executive. Somewhere down the line, the sarees gave way to American business suits and mandarin collars.

Wonder Years

Coming to the US and discovering a world of excellence in science that she had not experienced before, became the turning point in Chowdhry's life. The entrepreneurial mindset, the can-do attitude, and diligent application of minds she met fascinated her. Professors at the universities became role models for life. Impressing her with their ability to motivate people to achieve their goals and instilling in her a deep desire to remain as knowledgeable about science. Decades later, at DuPont, she would combine both to command the regard of her team of over 5,000 scientists across 75 R&D centres worldwide.

Chowdhry had met her prince charming, Vinay, during her college years in Mumbai. He followed her to the US two years after she had left. The two were married there. After Chowdhry received her M.S. in engineering science from Caltech, California in 1970, the couple moved to Cambridge, Massachusetts as Vinay wanted to study at Harvard. She got a Ph.D. in material science from MIT in 1976. A year later both joined DuPont, where Vinay went on to become CEO and founder of Qualicon, a DuPont subsidiary into food safety testing. After 23 years in DuPont, Vinay retired to consult with biotech start ups.

Chowdhry had started out as a research scientist at the ES she now heads. There were hardly any women from India at DuPont then. It took her about ten years to became the lead researcher in developing ceramic super conducting materials. DuPont got 20 different patents for products based on her research in this field, turning it into what her peers call a niche for the company.

It was not smooth sailing all along — the apparel market shifted to Asia by the time Chowdhry got on steam DuPont's European plant for intermediates to its now divested Lycra business — but setbacks did not get in her way.

Launching Into Leadership

Established over hundred years ago in 1903, the ES was designed to diversify DuPont from explosives into new industries through research. It has now become the company's lifeline. Like for DuPont, the ES became a launchpad for Chowdhry's transition too — to management. She took charge of the ES in June 2006. Since then, she has been piloting the $1.4 billion-a-year R&D undertaken at DuPont. Today, she is supervising projects that could lead to foods that help prevent cancer and smart materials. She gave the big push to the nano technology and biotechnology platforms. "Under her, DuPont broadened its nano products spectrum," says the company's Executive Vice-President and Chief Innovation Officer Thomas M. Connelly.

Over the years, Chowdhry has gained access to high-power offices in the US government and academic networks across top American universities.

Uma Chowdhry, 59

Senior Vice-President and Chief Science & Technology Officer, DuPont

Education: B.Sc in Physics from Indian Institute of Science, Mumbai University (1968); M.S. in engineering science from Caltech, California (1970); PhD in material science and engineering from MIT (1976)

Started out: As a research scientist at the DuPont Experimental Station she now heads

Heads: A team of 5,000 scientists and engineers, and 75 R&D centres across the world

Oversees: R&D in genetics and molecular crop breeding, biofuels, nanotechnology

Celebrated work: Use of ceramics as conducting material in electronic devices

Entered: National Inventors Hall of Fame Board in 2001

Served on: Industrial advisory boards at University of Delaware, Princeton, MIT, UPenn, University of Illinois at various times from 1995 onwards

Appointed to: The Secretary of Energy's hydrogen fuel cell committee and a laboratory operations board for the Department of Energy, the US Government

Member of: The National Academy's committee for science and public policy

Better half: Former fellow researcher at DuPont, Vinay Chowdhry

Enjoys: Travelling, collecting pottery art and sampling different foods

Passionate about: DuPont's upcoming R&D centre in Hyderabad

Her inputs are sought by the hydrogen fuel cell committee of the US Secretary of Energy, of which she is a member.

Scientists and technicians, that too Indians, especially women, rarely make it to leadership roles. Certainly not in the Western hemisphere. Chowdhry is a rare example. Many in the company put her on the list of top contenders for the CEO's chair due to fall vacant on the incumbent's retirement in 2011, though age may not be on her side.

To DuPonters, Chowdhry is "very visible, highly approachable, purposeful and an exceptionally good listener with the ability to make people comfortable". The one insight, subordinate and six sigma champion, Lourdes Puig says he has gathered from her is to never let "superficial" organisational boundaries come in his way of reaching out to the needed resources. Chowdhry's favourite compliment came from DuPont's CEO Chad Holliday who told a corporate gathering, "Uma is a person who tells it like it is. Not shy to speak her mind."

At a global conference in Delaware last month, Holliday told journalists from 60 countries, despite being a scientist Chowdhry has successfully put science to work. "You can't leave science in the laboratory. It has to move into the marketplace in the hands of customers to create valuation," she says.

The scientist-turned manager-leader has now steered DuPont to set up a 15-acre knowledge centre for nano tech and a global hub for rice-hybrid related research at Hyderabad. Her thoughts on India, "It's wonderful to go back and see the 'can-do' attitude and the commitment to open market." ■

Buddies mean business

All lights fall on Mukesh Ambani's backroom boy Anand Jain who now leads a big infrastructure rollout from the front

BAIJU KALESH

IN the Ambani versus Ambani drama, a man from the margins is now hogging the script. Anand Jain of Jai Corp Ltd has launched himself from the shadow-boxing between the two brothers to the brightly-lit corporate proscenium. Jain, Mukesh Ambani's school friend from third standard and trusted financial advisor, has seen his fortune taking shape through the cut and thrust of the biggest corporate joust of the country.

Jain's company — Rs 350-crore Jai Corp — shot into limelight last week after it sold shares worth Rs 2,200 crore to a clutch of foreign financial investors. Jain's family sold 12.6 per cent (2.9 crore shares) of its 87.6 per cent stake at Rs 1,035 a share. Jai Corp stock skyrocketed to astronomical levels of Rs 20,000 from Rs 9,000 in a fortnight, stunning many retail investors who had sold their shares two years ago for a measly Rs 60 a share. K. Balakrishnan, a retail investor, who sold his 31 shares for a profit of Rs 29 a share in 2005, regrets not holding on to them. "They would would have fetched Rs 6 lakh now," he says, wondering what is driving the stock now.

Balakrishnan will not wonder who Jain went to school with. Jain is not only Mukesh's trusted financial advisor but also his school friend. Behind his bond with Mukesh is a relationship of more than 25 years, which also saw Jain supporting Mukesh through the family business split.

Jain is keen to unlock value in his galvanised plain and corrugated steel sheets. In a presentation to investors he hinted unlocking value in this steel business through a public offering or a private placement of shares.

Reliance Industries chairman Mukesh Ambani's close relationship with Jain helps him circumvent a non-compete clause he signed with his brother when they carved up their father's business in June 2005.

Mukesh is bound by the agreement to stay away from businesses which Anil is in, for the next five years. However, Jai Corp is launching into many of those businesses with Mukesh's support. The market capitalisation of Jai Corp shot up from Rs 339.76 crore in October last year to the stratospheric Rs 19,515.02 crore on Wednesday, 17 October. Just a year before, the market capitalisation was just Rs 96.18 crore in the same month when the company was still weaving yarn and making galvanised corrugated steel and jumbo bags used to pack cement and food grains. When Jai Corp moved to infrastructure projects, its market fortune also took a turn. The stock soared on the BSE to reach new highs when the board announced a 1:1 bonus and a stock split of 1:10.

As Jai Corp diversified into real estate over the last two years, Jain found himself in the land of plenty. He became the chairman of two SEZs in Mumbai and also floated a real estate focused asset management company. Last year, he launched the country's largest real estate investment management company — Urban Infrastructure Venture Capital (UIVCPL) — with a fund that manages $1.1 billion (Rs 4,400 crore). UIVCPL is the Indian advisor to Urban

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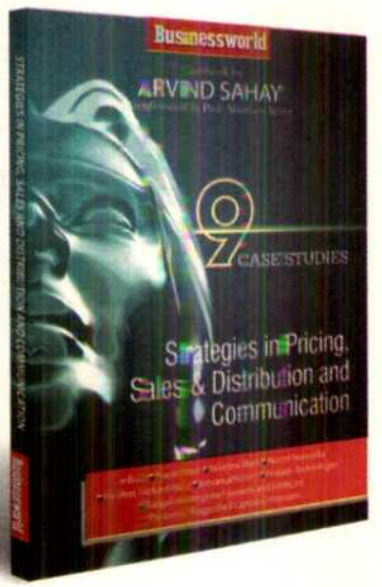

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Infrastructure Real Estate Fund, a Mauritius-based offshore fund for investing in India. Sources say he is one of the largest real estate owners in the state.

Just as Jai Corp's stock made a vertical lift, Jain's designs also leapt up from the drawing board. He is among the high riders of an incipient infrastructure boom, and if he carries on with his ambitions and his spot of luck also holds, he might get into the top corporate order. As real estate seems to be yielding surreal gains to him, he is seen to be pulling out all stops. From ports to airports to power, every sector that shines is his.

The Mukesh Ambani spring board has flung him high. Jain has joined hands with his friend Mukesh to promote Special Economic Zones (SEZs) and develop ports in Navi Mumbai and Maharashtra's Raigad district. Jai Corp is building a power station, a port and an airport for Mukesh's SEZ projects. Mukesh has acquired more than 50 per cent ownership in the Navi Mumbai SEZ. The remaining stake is owned by Nikhil Gandhi, who is the original promoter of the project, Jai Corp and City and Industrial Development Corporation. Jai Corp is also expanding the greenfield Rewas Port near Mumbai, which it jointly owns with Maharashtra Maritime Board, Amma Lines and Reliance Logistics. Sources say Jai Corp will bid for developing a large airport in Navi Mumbai, adjacent to the SEZ. Jai Corp also has plans to foray into power generation and its distribution and transmission to the SEZ, and will float three special purpose vehicles to undertake this business. It will also build a 700 MW gas based power plant within the SEZ.

People affected by the Mukesh Ambani-promoted MSEZ would be given 12.5 per cent of the developed land, a compensation at market rates for their land, assurance of employment after successful completion of training, and two years' sustenance payment for landless labourers. Village infrastructure would also be upgraded by spending around Rs. 90 crore.

Mukesh trusts Jain so much that he has made him chairman of Reliance Haryana SEZ, a joint venture between RIL, which holds 90 per cent in it, and the Haryana government.

Jain, a commerce graduate with a passion for the stockmarket and real estate business, has been a financial advisor and trouble-shooter to his friend, a role that has earned him the wrath of Mukesh's younger brother Anil Ambani. During the fight with Mukesh to split the Reliance group, Anil had alleged that the rift with Mukesh was created by Jain and Manoj Modi, who now heads Reliance Retail.

"My relationship with Mukesh is friendship without any expectations from him," Jain recently told a close friend. Though Jain does not own a single share, he acts as a strategic advisor to RIL for all stockmarket and real estate transactions. RIL's portfolio of investments was about $28 billion (Rs1.12 lakh crore), including the shares of RPL, Mukesh told shareholders at the last AGM.

Though Jain operates from a small office at Nariman Point, he is now in the middle of the hottest corporate action. His company is developing an SEZ outside Mumbai which will house an International Financial Centre, an IT park, and a diamond bourse that would rival Antwerp's. The IT park will bring in several IT companies into Maharashtra, which lost business in this space to Southern cities such as Bangalore, Chennai and Hyderabad. "We can even provide uplinking facilities for media entertainment companies," says a company official who does not wish to be quoted. A neighbouring city will reduce traffic congestion in Mumbai. The company has even proposed the setting up of a hovercraft service along the city's coastal line connecting it to Navi Mumbai.

Sources say Jain, who is a master in solving complex problems, has turned the SEZ deal in Reliance's favour wielding his negotiating skills with Nikhil Gandhi, the original promoter of Maha Mumbai SEZ. Gandhi initially approached the Tata Group to partner him to build the special economic zone. But when the diversified conglomerate took time to arrive at a decision, Jain spotted the opportunity, took the lead and clinched the deal for his friend Mukesh. Jain is also gifted with a skill to settle family disputes. Sources said he amicably settled the dispute in Arvind Poddar family that owns Balakrishna Industries.

Jain may be known by the redoubtable company he keeps, but his eye-popping success is due also to his own business acumen. Jain is the man who knew his moment and did not miss his chance. His spectacular jump into the rapids of mainstream business will repeatedly test this very instinct of his. ■

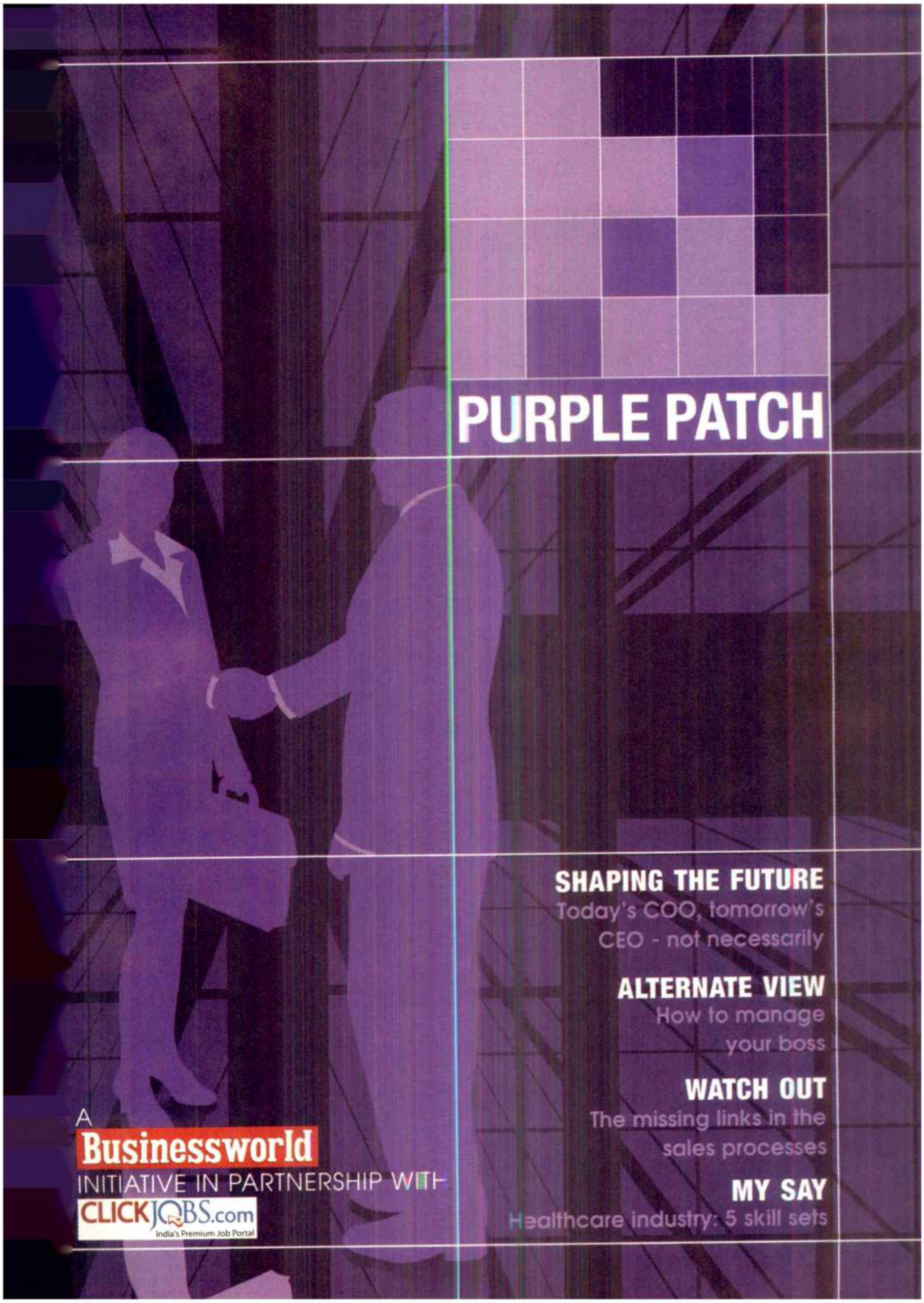
with inputs from Abhishek Chowdhury

Jai Corp's future projects on Ambani's watchlist

- **10 per cent stake in Navi Mumbai** Special Economic Zone and Mumbai Special Economic Zone
- **10 per cent stake in Rewas Port** that will be developed into a multi purpose port
- Promoting **Urban Water Supply** for water and sewerage facility in the SEZ
- Acquiring equity in **Urban Infrastructure** which is a construction, engineering and procurement contractor for various SEZ projects
- Proposal to bid for the **New International airport in Navi Mumbai**
- **Urban Infrastructure Venture Capital**, the largest real estate investment management company in the country with $1.1bn funds under management

Why Mukesh Ambani needs Anand Jain

- To develop 3 special purpose companies for generation, transmission and distribution of power. Plans to **develop a 700 MW gas-based power plant** for captive use in SEZ
- **Ambani cannot foray into financial services** undertaken by his brother Anil Ambani's Reliance Capital as there is a five-year non-compete agreement



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SHAPING THE FUTURE

Today's COO, tomorrow's CEO - not necessarily

The very qualities that are pinpointed to pick a person for the COO's role makes him a poor fit to fill the CEO slot

When K. Ranganathan was appointed the Chief Operating Officer (COO) of his organisation, he was thrilled. More so, for he had his eyes set on the top job that of the Chief Executive Officer (CEO), and he was confident it was just a matter of time before he was chosen for that position. However, six months later when the CEO's position fell vacant, Ranganathan was not offered the job, instead the organisation decided to hire an outsider.

Ranganathan's not alone. Few COOs succeed the CEO when the latter retires. In most cases the very qualities that are pinpointed to pick a person for the COO's role makes him a poor fit for the CEO's slot.

Over the years, management thinkers and researchers have examined and dissected the role of a CEO from practically every angle. Not much research though has gone into the role of the COO - the number two man in many modern corporations. Recently, Nathan Bennett and Stephen A Miles examined the role of the COO in a Harvard Business Review article called Second in Command: The Misunderstood Role of the Chief Operating Officer.

According to the authors, different companies have very different reasons for appointing the COO or creating the position in the first place. In some

MY SAY

Healthcare industry: 5 skill sets

Promila Adhana, HR head, Artemis Health Institute, Gurgaon

"Recruiting enough people, and the right people, is an ongoing challenge in healthcare. To keep Artemis Health Institute, Gurgaon effectively staffed in both the short and long term." Artemis looks for the following skill sets:

- Qualification and excellent technical know-how as we have equipments with state-of the-art-technology
- Empathetic customer service orientation for quality patient care and organisational effectiveness
- Reference checks because ethics and integrity are very important in healthcare business.
- Truly interested & enthusiastic to fit into our culture of "CREATE" - Care, Respect, Excellence, Always Learning, Trust and Ethical Practices.
- Potential to grow and take up the higher responsibility in future

reader speak

Purple Patch invites readers to contribute their views
e-mail: purplepatch@bworldmail.com
Selected entries will be published in the forthcoming issue

companies, the COO is hired because he has specific strengths that make up for the weaknesses of an otherwise brilliant CEO. In others, it is a short term position created to achieve a particular objective - like a turnaround for example. In still other cases, the CEO is the strategic thinker while the COO is the effective implementation guy. And then there are times when the COO position is created to mentor a young CEO who has just taken over. It is because of the widely different expectations of the COO's role in different companies that makes it so difficult to pinpoint the qualities of the ideal COO, say the authors.

That might be true but there is one quality that all COOs must have - excellence in operations. He is expected to have a firm grasp over the actual day to day running of the company. Indeed, most Indian companies create the COO position to make sure that the operations of the company run smoothly even if the CEO is busy with other important strategic matters. While the CEO looks at the big picture, the nitty gritty is left to the COO.

Unfortunately, that is also the tragedy of the COO. "The job of a COO is very different from that of a CEO. While a COO focuses more on operations, a CEO's job is more strategic in nature. Not everyone can have all the skills. So while a COO may be good at operations, he may not have the necessary vision to become a CEO," says Ronesh Puri, managing director, Executive Access. Adds Anil Sachdev, managing director, Grow Talent, "A CEO aims at doing the right things while a COO does things rightly. The difference lies in having a vision and executing the same."

Unfortunately, a typical COO's job leaves him with very little time to hone his strategic thinking skills. That is why, becoming the second in command in a smoothly running company is the worst training for anyone aspiring to be the number one in due course of time.

However, most COOs do not realise this when they are first picked to fill the number two position. Indeed, since the COO is generally picked from a small pool of senior executives of roughly the same rank, the first thought of the candidate getting the job is that he has finally managed to take a small lead over his rivals. That is why, he is disenchanted when he realises that he doesn't make the short-list for the top job when the CEO retires. Indeed, in most cases, the COO is considered for a CEO's position only in a drop dead situation. That is, he is considered by the board to be the number one man in case something happens to the CEO suddenly. At best, it is a holding operation while the hunt is on for a new CEO who can lead for the long term. "In most knowledge companies, the COO does not become the CEO since he may be great at managing processes, but may not be that good at business development and marketing," says Sachdev. However Puri feels that this is not true for only knowledge companies. "Most companies prefer an outsider for the top job. This is because he brings in a fresh perspective and carries no internal baggage. Companies often look for out-of-box thinking which a new man on the job is likely to provide. Moreover, it also becomes a matter of stature when a high profile CEO is hired," he says.

Most companies prefer an outsider for the top job. This is because he brings in a fresh perspective and carries no internal baggage. Companies often look for out of box thinking which a new man on the job is likely to provide. Moreover, it also becomes a matter of stature when a high profile CEO is hired

- **Ronesh Puri**, managing director, Executive Access

Does this necessarily have to be so? Not really. A company could groom a COO for the top job by bringing in an executive trainer. Even if it doesn't do so, the COO needs to watch out for his own career growth and equip himself with the skills necessary to be considered for the top job.

ALTERNATE VIEW

How to manage your boss

Guess the biggest reason why employees leave companies? Greener pastures? Career advancement? On the contrary, surveys reveal that the boss is the prime reason. Says Anil Sachdev, managing director, Grow Talent, "Research shows that people do not leave companies but bosses. A person's perception of the company is based on his boss's role. If the boss is good you will always cherish your work experience at a company. Similarly if you do not get along with your boss, the company will have a negative image in your mind." But that drastic step of quitting is only justified if you have a truly mean boss. Instead, a better idea might be to adopt a strategy to cope. Here are some practical tips to bridge the gap between different business philosophies and practices:

THE CONTROL FREAK

Is your boss a perfectionist, who displays obsessive behaviour about doing it his own way and never trusts your judgement. A small variation of this is the Lone Wolf, who goes it alone. There's no guidance and no team work happening, which can be frustrating.

Strategy: When a task is allotted, ask your boss to explain his expectations - and, it's best to get it in writing - so that you are on the same page. Find out which decisions you can make independently. Grab the initiative by giving him a daily status report. Try and anticipate your boss and provide information even before you are asked. If you can win his trust, he will surely start giving you a freer hand.

THE ABSENTEE BOSS

This boss is always missing and has no issues about delegating work - he delegates everything, even his own presentation or speech, happily! Although a great learning curve for you, there comes a time when you will question why you are slaving away overtime for half your boss' salary, while he's out having a good time. What's more, all that hard work probably never gets reflected in your appraisals.

Strategy: Learn to be assertive - but in a diplomatic way. If he tries to palm off a presentation on you, show the boss how full your plate is already. Says Sachdeva, "One of the most important things is to learn to say no to your boss. Saying yes is easy, but when you say no you define your character." If key decisions are pending because your boss is absent, bypass him and start getting okays from his senior.

THE WORKAHOLIC BOSS

This is the kind of boss who spends the whole day in meetings and come evening begins the actual work - worse, he needs his entire team at his beck and call and no one leaves before the boss.

Strategy: Some plain talking is needed. Get together with all your colleagues and collectively beard the lion in his den and tell him that none of you appreciate hanging around late. If he still needs someone around for brainstorming, then make a roster where just one person needs to stay late.

THE BUDDY BOSS

It's past six p.m. and now your sociable boss insists on taking everyone out for a drink. It's fun the first day but when it starts becoming a daily habit, it gets wearying.

Strategy: It's good to be friends with your boss but only up to a limit. The key here is balance. Get him a social life. Learn his tastes and start introducing him to like-minded others. Find him a date, be devious - get him hooked to the latest addictive computer game so that he leaves you alone after work.

THE PROCRASTINATOR

This boss is disorganized, keeps putting off decisions, consults too many people and just can't make up his mind. The result - key decisions are taken at the nth minute, delaying all schedules, and all the blame falls on you.

Strategy: Since you know decisions will take a long time, factor that into the timeline for any project. Anticipate your boss, and collect all inputs from his favourite sources in advance and summarize the results and present to him. Don't hesitate to organize his life. Take over his filing.

THE MISSING LINKS IN THE SALES PROCESSES

WATCH OUT!

At a recent Webinar in Mumbai, the CEO of a leading internet media house revealed little or no benefits from an in-house refresher programme of sales processes. The sales graph continued to be more or less flat.

True, most touted standardized 'sales processes' that seemed logical to his sales team, vaguely encapsulated the way that an individual company was actually buying. For example, 'obtain commitment from key decision-maker', was skirting issues like running the decision through legal, accounting and the boss in most cases, many of whom may have veto power over his decision. Or once the decision is made to buy, the execution of the purchase may go to a purchasing department which increasingly is happening in most consumer product companies, where the head of purchasing (who needs to sign the purchase order) is on a long vacation, or sadly, might little understand the offer and harangue over the price? Or the customer organization might not even know how to buy the offering, if it's something they've never bought before.

Companies within a given industry often have similar buying habits, and sales teams should research, write and review (with the customer contacts) a formal document describing exactly how the decision to buy is made, and exactly how it will get executed to avoid unexplained gaps in sales achievement figures.

The new approach

- Makes the entire sales forecast more accurate
- Helps identify blocks or delays in sales executions
- Helps establish the authority for making a buying decision
- Helps build a customer roadmap for the future

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REGIONAL SALES MANAGER

Company: Invensys
Job Profile: Managing top & bottom line of business through Regional Heads. Responsible for national targets, coordinate with the RSM for sales targets, promotions & training in line with the target settings. Engage in training the teams to motivate & focus on proactiveness regarding targets, promotions & training. Plan & implement sales activity, make corporate & product presentations. Establish & maintain relationships with key wholesale distributors & contractors
Experience: 7-14 years
Location: Mumbai & Delhi
E-mail: felix.rajakumar@ips.invensys.com
Job Code: CJ156683

KRISH IT SOLUTIONS

Krish IT Solutions Private Limited, based at Chennai, India, is an offshore solution delivery centre for SAP implementation. It is a subsidiary of CDP Solutions LLC. Krish IT implements projects with CDP Solutions LLC, for the US and European markets. Krish's Offshore Development team possesses advanced technical capabilities to offer high quality solutions within a limited timescale.

SAP PRESALES CONSULTANT

Company: Krish IT Solutions
Job Profile: Work with both SAP R/3 and SAP Business One environment. Atleast 10 years of experience required in sales of which minimum 2 years of SAP experience required. Manufacturing or SCM vertical experience would be ideal. You should be able to handle complete life-cycle management of SAP services. Sales account planning, maintaining relationship with key stakeholders including SAP. Meeting the KPIs
Experience: 10+ years
Location: Chennai
E-mail: prem@krishtechnologies.com
Job Code: CJ163608

SAP ABAP CONSULTANT

Company: Krish IT Solutions
Job Profile: Minimum 5 years experience required and should be strong in ALE and Idoc settings. You should be able to lead the team in onsite and offshore centre. This is the very good opportunity to work with international experts and some travel will be there for overseas
Experience: 5-10 years
Location: Chennai
E-mail: prem@krishtechnologies.com
Job Code: CJ163609

SAP BUSINESS ONE CONSULTANT

Company: Krish IT Solutions
Job Profile: Minimum 2 years of implementation experience required within SAP Business One and over all 5 years experience required. You should be able to handle independently in client site and capable to integrate SAP R/3 and SAP Business One product. FICO, SD, MM, SM and CRM exposure required
Experience: 5-10 years
Location: Chennai
E-mail: prem@krishtechnologies.com
Job Code: CJ163610

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PORTAL MANAGER

Company: IndiaAutomobile.com
Job Profile: Collaborate with product development and business development teams to define functional specifications. Meticulously think through user interface to ensure a familiar & intuitive consumer experience. Monitor product development initiatives of key competitors. Actively contribute towards design of marketing collateral, blogs and websites
Experience: 2-6 years
Location: Chennai
E-mail: nimish@indiaautomobile.com
Job Code: CJ163520

CONTENT MANAGER

Company: IndiaAutomobile.com
Job Profile: Undertake test drives and write original reviews on cars and bikes. Interface with experts, publications and dealers to create a comprehensive information repository on all cars and bikes in the Indian market. Track and cover the latest developments in the Indian auto industry
Experience: 1-6 years
Location: Chennai
E-mail: nimish@indiaautomobile.com
Job Code: CJ163519

SWRL
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Stone and Webster Rolta Limited (SWRL) is one of the fastest growing engineering, procurement, and construction management company in India, providing high value engineering services to a large number of customers in India and across the globe. Stone and Webster Rolta Limited is a 50:50 joint venture between Stone & Webster Inc. and Rolta India Ltd.

CAE/IT SUPPORT HEAD

Company: Stone and Webster Rolta Limited
Job Profile: Directs, establishes, plans and implements the policies and procedures to support the organisation's engineering applications, workflows and technical resources. Should perform other duties when required. Manage CAE software applications, projects and works with engineering project teams at a division or office level. Must have extensive knowledge of engineering 2D, 3D and analysis software applications
Experience: 8-27 years
Location: Mumbai
E-mail: pawan.ahuja@shawgrp.com
Job Code: CJ163430

LEAD ELECTRICAL ENGINEER

Company: Stone and Webster Rolta Limited
Job profile: Preparing cable, grounding, lighting, pa-communication system, and security system and equipment layouts. Preparing slides, protection and control schemes, cable schedules, terminal block diagrams. Prebid engineering including design basis reports, feasibility studies and broad specifications. Basic and detail engineering for power,

petrochemical and industrial projects
Experience: 10-15 years
Location: Mumbai
E-mail: pawan.ahuja@shawgrp.com
Job Code: CJ144899

GNG GROUP

GNG was first established as a trading company, in 1996, which gradually became a subcontractor in power transmission and distribution projects and currently has the complete capacity to perform as a main contractor to carry out not only turnkey power projects but also energy engineering projects and other related manufacturing activities. As a main contractor and consultant, GNG has every resource to develop and implement relevant projects.

PROJECT COORDINATOR

Company: GNG Group
Job profile: Responsible for allocating proper manpower to various sites, allocating sites and feeders to labour contractors according to their capabilities, coordinating with site supervisors and erection engineers and getting reports from the sites, preparing BoQ/BoM and project management charts etc
Experience: 2-10 years
Location: Gurgaon
E-mail: pcoordinator@gnggroup.com
Job Code: CJ150895

ASSISTANT MANAGER - MARKETING

Company: GNG Group
Job profile: The person will be responsible for tender search and marketing process. He will be responsible for the empanelment of the company with various agencies like Power Grid, MES etc. He will also create database and identify potential market for turnkey power projects and then develop those markets. Also he will be responsible for liasioning with various government departments
Experience: 2-5 years
Location: Delhi & Gurgaon
E-mail: marketing@gnggroup.com
Job Code: CJ156693

firstsource

Firstsource (formerly ICICI OneSource) is India's fifth-largest BPO provider. It provides offshore BPO services to some of the world's Fortune 500 and FTSE 100 companies primarily in the banking and financial services, telecommunications, media and healthcare industries. The company currently employs over 10,717 employees across 20 delivery centers in India, the UK, the US and Argentina.

TECHNICAL SUPPORT EXECUTIVE

Company: Firstsource Solutions Limited
Job Profile: Excellent communication skills in English. Fresh graduates/under graduate with 1 year. Willing to work in rotational shifts. Experience in tech process would be added advantage but not preferred. Basic knowledge of computer is a must
Experience: 0-2 years
Location: Mumbai/Navi Mumbai/Thane
E-mail: sanchita.sarkar@firstsource.com
Job Code: CJ159623

CUSTOMER SUPPORT ASSOCIATES VOICE

Company: Firstsource Solutions Limited
Job Profile: Excellent communication skills in English. Graduates fresher/undergraduates with 1 year. Full time experience. Willing to work in rotational shifts. Transport boundaries would be between Thane, Bhayander & Vashi. Experience in outbound sales process or US collections will be an added advantage
Experience: 0-2 years
Location: Mumbai/Navi Mumbai/Thane
E-mail: sanchita.sarkar@firstsource.com
Job Code: CJ136025

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SALES MANAGER

Company: ClickJobs.com
Job Profile: Responsible for leading a team of Relationship Managers and Business Managers. Guiding and helping the team to achieve their work objectives. Will manage a sizeable portion of the business in a branch. Training and developing the team
Experience: 3-6 years
Location: Hyderabad, Mumbai & Bangalore
E-mail: cooljobs@clickjobs.com
Job Code: CJ162028

MAJOR ACCOUNTS MANAGER

Company: ClickJobs.com
Job Profile: Prospecting, meeting, negotiating and acquiring clients for the recruitment solutions of the fastest growing jobsite, Clickjobs.com. Covering the assigned territory and acquiring consultant/corporate clients. Special focus will be on corporate clients. Managing the deliverables for the clients acquired
Experience: 1-3 years
Location: Hyderabad, Mumbai, Bangalore, Chennai & Delhi
E-mail: cooljobs@clickjobs.com
Job Code: CJ162026

RELATIONSHIP MANAGER

Company: ClickJobs.com
Job Profile: Prospecting, meeting, negotiating and acquiring clients for the recruitment solutions of the fastest growing jobsite, Clickjobs.com. Covering the assigned and territory acquiring consultant/corporate clients. Special focus will be on corporate clients. Managing the deliverables for the clients acquired
Experience: 1-2 years
Location: Hyderabad, Mumbai, Bangalore, Chennai & Delhi
E-mail: cooljobs@clickjobs.com
Job Code: CJ162024

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DATABASE DEVELOPER

Company: ClickJobs.com
Job Profile: Strong Oracle Database programmer. Should have extensive Oracle database programming experience. Experience with Unix/Oracle, PL/SQL, Unix Shell Scripts. Experience with Oracle Reports 6i or later. Highly organised and detail-oriented. Performs multiple tasks and adjusts priorities based on workload
Experience: 4-7 years
Location: Bangalore
E-mail: prashanth.cs@ionidea.com
Job Code: CJ162694

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HEAD R & D (NMS/EMS)

Company: GlobalHunt India Pvt Ltd
Job Profile: Good experience in system engineering, product evaluation, embedded software, manage management software (SNMP/CMIP based) and tests. Should manage product development team consisting of high calibre engineers. Development coordination with other functional groups. Communication protocols and their applications
Key Skills: NMS, network management systems, EMS, TMN, Optical, SDH, SONET, CMIP, transmission, access, data networks
Experience: 12-18 years
Location: Delhi & Gurgaon
E-mail: jobs@globalhunt.in
Job Code: CJ161736

TELECOM PRE SALES MANAGER BILLING PRODUCT

Company: GlobalHunt India Pvt Ltd
Job Profile: To understand the customers business and technical requirements and project the technical advantages of the companies products and solution offers, with the intention of securing business for companies. The role involves working closely with the business development team and assisting the business development team in meeting revenue targets. At least 5-12 years of experience in the IT and/or telecommunications industry, of which at least 1-2 years should have been in a project consulting or technical consulting role. The position calls for extensive traveling within the country or within the APAC region. Candidates should be willing to travel at short notice and should have an innate desire to work in a competitive environment
Experience: 5-12 years
Location: Gurgaon
E-mail: jobs@globalhunt.in
Job Code: CJ163231

BRIDGERS & HEADERS

An eight-year old Hyderabad-based company specialising in human resources and consulting services, catering to corporate requirements for their manpower needs. Bridgers & Headers is an umbrella organisation with the following group of companies-Aakarsh Consultancy Enterprises, Excel Enterprises, 24 By 7 Corporate Services. Our clientele is spread all across the country and we cater to the entire spectrum of industries

SR DEVELOPERS

Company: Bridgers & Headers
Job Profile: For a large MNC. Responsible for leading the offshore team through scoping, planning and execution of development and QA. Day to day management and mentorship of offshore team
Experience: 5-9 years
Location: Mumbai
Job Code: CJ156000

WEBSPHERE APPLICATION SERVER OPERATIONS ENGINEER

Company: Bridgers & Headers
Job Profile: Should know websphere application server administration, J2ee, installation, configuration, troubleshooting, Websphere, Apache, SunOne, IBM HIS, TCP/IP, DNSDHCP, UNIX, LINUX
Experience: 3-6 years
Location: Hyderabad & Secunderabad
Job Code: CJ155999

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FINANCE & ACCOUNTS

Company: Personal Network
Job Profile: Hard core accounting like accounts payables, accounts receivables, general ledger, reporting, budgeting
Experience: 4-8 years
Location: Bangalore
E-mail: harshini.roopa@gmail.com
Job Code: CJ159696

CUSTOMER SUPPORT EXECUTIVE

Company: Personal Network
Job Profile: Handling the queries of US/UK/Aus customers for a reputed Fortune 500 company
Experience: 0-2 years
Location: Bangalore
E-mail: arch_acn@yahoo.co.in
Job Code: CJ158994

ASPIRE

Aspire represents leading global employers in high growth, people intensive industries such as IT & ITES, retail and financial services. Through a wide network, intensive course curricula and distinguished clientele, Aspire aims to bring long term, successful careers to candidates in cities across India with untapped potential, thereby widening and deepening India's talent pool.

CHIEF TALENT OFFICER

Company: Aspire Human Capital Management
Job Profile: Develop the overall talent sourcing strategy for India by leading a team of regional sourcing managers and talent scouts across 100 cities in the country, and ensuring the delivery of admissions to the firm's academies
Experience: 15+ years
Location: Gurgaon, Mumbai, Bangalore & Chennai
E-mail: recruiting.india@aspireindia.org
Job Code: CJ163053

REGIONAL MANAGER - TALENT SOURCING

Company: Aspire Human Capital Management
Job Profile: Lead team of talent scouts for a specific region and determine local marketing strategies for that region. Accountable for the delivery of quarterly targets within the agreed budget and timelines through walk-in interviews, road shows, career fairs, presentations to educational institutions, etc
Experience: 8-12 years
Location: J&K, Punjab, Haryana, Karnataka, TN, Gujarat & Maharashtra
E-mail: recruiting.india@aspireindia.org
Job Code: CJ163055

EM'PARKS

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CUSTOMER MANAGEMENT - ASSOCIATE DIRECTORS

Company: EM'PARKS
Job Profile: Job from financial domain for a Gurgaon development center. The role will facilitate the delivery of first class support to internal and external customers. To build a long term legacy for the team, focusing on people development, quality initiatives and productivity and process improvement
Experience: 15-20 years
Location: Delhi, Gurgaon & Noida
E-mail: puja@emparks.com
Job Code: CJ163487

WEBSPHERE TECHNICAL SPECIALISTS-WEBSPHERE ADMIN

Company: EM'PARKS
Job Profile: The provision of build & support services to ensure 24x7 service availability; operational support of the server & software environments including upgrade planning, patching etc. Provide 1st/2nd line support for O/S (AIX) and hardware IBM P series issues
Experience: 6-8 years
Location: Delhi, Gurgaon & Noida
E-mail: puja@emparks.com
Job Code: CJ163488

RAMSOL

Established in 2003, RAMSOL Pvt Ltd., assist organisations employ people across the globe. RAMSOL is a recruitment solutions organisation that helps businesses across the industry to accelerate candidate selection process. Unlike other providers, RAMSOL helps clients speed up recruitment through a unique combination of providing well screened profiles and services which ensures organisations complete selection process on time. Some of the leading IT and non-IT organisations are part of RAMSOL's esteemed customer profile.

SR VICE PRESIDENT - SOFTWARE DELIVERY MANAGEMENT

Company: Resource Access Management Solutions
Job Profile: Heading offshore product management, technology and business systems teams. Responsible for project delivery, stakeholder management, multiple project management. Develop and implement offshore strategy for multiple projects
Experience: 16-22 years
Location: Chennai
E-mail: kumar@ramsol.co.in
Job Code: CJ16352

esika

Esika Infotech is a provider of top-of-the-line solutions in consulting and software development services. Esika endeavors to reach the zenith of business excellence through, competent people, cutting-edge technology products, value-based service and uncompromising quality thereby ensuring complete customer satisfaction. It's business outlook revolves around human capability, technology and quality.

SR. SOFTWARE DESIGNER

Company: Esika Infotech Private Limited
Job Profile: Working knowledge of databases, preferably postgres or oracle. Project management and customer interfacing experience. Knowledge of healthcare domain and healthcare IT systems would be a plus
Key Skills: JBoss, JSF, JSP, XHTML
Experience: 4-8 years
Location: Bangalore
E-mail: harish_k@esikainfotech.com
Job Code: CJ16251

CONTENT PRODUCER

Company: Yahoo! India
Job Profile: Responsible for working with a senior level producer to learn and master the basics of how to manage content products. Will manage content delivery and editorial activities to build and sustain PVs and UUs. Act as the front line person for questions on content; creating schedules, documentation and other tools to communicate and manage editorial activities
Experience: 5-8 years
Location: Bangalore
E-mail: harish_k@esikainfotech.com
Job Code: CJ16257

Career Avenues

Career Avenues has been successfully involved in recruiting top quality professionals for its clients in the FMCG, consumer durables, insurance, telecom, banking and the retailing industries. Since its inception in 1999, prior to becoming recruitment consultants each of their senior consultants were successful professionals with years of experience with reputed organisations.

AGENCY MANAGER

Company: MNC Life Insurance
Job Profile: To identify and appoint advisors. Effective people management. Effective competitor's management
Experience: 2-5 years
Location: Mumbai
E-mail: kaushal@careeravenues.net
Job Code: CJ163557

SALES MANAGER

Company: MNC Life Insurance
Job Profile: Responsibilities include recruiting the team of advisor through your contacts they will do the business for the company
Experience: 2-12 years
Location: Gujarat
E-mail: bhavsar@careeravenues.net
Job Code: CJ163505

MERU

Meru was promoted in the year 2000 by a team of professionals from India's best engineering colleges and business schools. Each founder has over 20 years of experience, covering areas like strategic planning, marketing, finance, HR, production, operations, IT and telecommunication. Meru is focused on consulting, technology and outsourcing services.

PROJECT MANAGER

Company: Meru
Job Profile: It requires world-class engineers for developing their next-generation web platforms and internet related technologies. Require good problem solving skills. Must be highly self-directed, motivated and positive individual with excellent verbal and written communication skills
Key Skills: C/C++, Linux/Unix Platform experience
Experience: 5-10 years
Location: Chennai
E-mail: rajeswari@meru.co.in
Job Code: CJ160494

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SAP CONSULTANTS
Company: Sage Technologies
Job Profile: Must have experience in SAP R/3 all module and new dimension like CRM/SRM/ SEM/APO/Basis and ABAP. Should have done atleast one implementation project
Experience: 2-20 years
Location: Delhi, Mumbai & Chennai
E-mail: resume_rpo@sagetl.com
Job Code: CJ163050

SENIOR SOFTWARE ENGINEER
Company: New Age Solutions
Job Profile: The candidate will be responsible for Windows/UNIX Kernel programming. Must have valid passport & be willing to travel to US
Experience: 3-6 years
Location: Delhi, Gurgaon, Noida, Faridabad & Ghaziabad
E-mail: hr@newagesolutions.com
Job Code: CJ163353

SOFTWARE ENGINEER
Company: Tulasi Technologies
Job Profile: Must have experience in analysis, object oriented design, architecture, development, testing and implementation of various internet and client/server applications, experience in building rich web applications using Ajax is an added advantage
Experience: 1-4 years
Location: Bangalore
E-mail: kbc@tulassi.com
Job Code: CJ163375

ASIC DESIGN ENGINEERING MANAGER
Company: The Human Capital
Job Profile: Must know ASIC design, ASIC design manager, ASIC manager, ASIC verification, verification manager, SoC design, C, vera, specman, VHDL, Verilog HDL, CPU,PSL, System Verilog, System C
Experience: 8-18 years
Location: Bangalore
E-mail: uday@thehumancapital.net
Job Code: CJ163380

SOFTWARE DEVELOPMENT MANAGER
Company: The Human Capital
Job Profile: Must know software manager, SW manager, Windows, Linux, graphics drivers, Dotnet, .net, PMP, PLI, SDLC, project management, project manager, C#
Experience: 8-18 years
Location: Hyderabad
E-mail: uday@thehumancapital.net
Job Code: CJ163382

C, EMBEDDED/SYSTEM SOFTWARE DEVELOPMENT
Company: JJ Placements
Job Profile: Must have hands-on experience with development of embedded systems, networking or storage drivers, Linux or Windows systems software and multi-threaded programming with any of SCSI, fibre channel, TCP/IP, and iSCSI protocols
Experience: 6-12 years
Location: Bangalore
E-mail: Mahindra@JJPlacements.com
Job Code: CJ163501

ASIC DESIGN/VERIFICATION LEADS
Company: JJ Placements
Job Profile: Must be proficient in ASIC design flows including hands-on experience with state of the art verification tools such as Vera, Specman, System Verilog, System C
Experience: 5-15 years
Location: Pune & Bangalore
E-mail: Mahindra@JJPlacements.com
Job Code: CJ163503

T24/GLOBUS TECHNICAL CONSULTANT
Company: Thesys Technologies P Ltd
Job Profile: Should have an excellent knowledge in T24/Globus. Banking domain knowledge will be an advantage. should be willing to travel. Exposure to data-migration, upgrades and implementation projects will be an added advantage
Experience: 2-15 years
Location: Chennai & Bangalore
E-mail: career@thesys.co.in
Job Code: CJ157851

TECHNICAL LEAD
Company: Satvirs Solutions
Job Profile: Technical design and development of client and application specific extensions to content management products
Experience: 7-10 years
Location: Bangalore
Job Code: CJ162131

SENIOR JAVA TOOL DEVELOPER
Company: Symbiosis Network
Job Profile: Must have sound knowledge of Java, J2EE, XML, ant, Eclipse, JUnit, CVS or subversion and knowledge of Unix, surrounding tools BMC, Tivoli is desirable
Experience: 5-10 years
Location: Pune
E-mail: wini@symbiosisnetwork.com
Job Code: CJ162206

.NET (LEADS)
Company: Techgene Solutions Pvt Ltd
Job Profile: Must be an expert at .net, c#, asp.net, vb.net, SQL2000, Oracle 10g, xml, xsl, xslt
Experience: 3-7 years
Location: Hyderabad & Ahmedabad
E-mail: sowmya.t@techgene.com
Job Code: CJ162139

AGERE NETWORKPROCESSORS-SPECIALISTS
Company: Flextronics
Job Profile: Must know Agere NP, Agere network processors, network processors, ATM, FPL, C, DS3, NNI/UNI, packet switching, configuration management, clearcase
Experience: 4-9 years
Location: Bangalore
E-mail: kapil@thehumancapital.net
Job Code: CJ158362

SYSTEM ADMIN (LINUX)
Company: Ekartha (I) Pvt Ltd.
Job Profile: Handle the entire network and systems, audit logs and carry out performance monitoring, take control of the hardware infrastructure, etc
Experience: 3-6 years
Location: Pune
Job Code: CJ142714

SERVICE DELIVERY ANALYST - ITIL
Company: MAH India
Job Profile: Must be an expert in ITIL
Experience: 4-7 Years
Location: Mumbai
E-mail: chandan@mahindia.com
Job Code: CJ162876

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Jobs in Senior Management

- **GM QUALITY CIVIL**
  Company: Informative Consultancy Services
  Job Profile: Responsible to take care of the quality standards to be followed and implemented at all level of the projects undertaken by the company
  Experience: 15-25 years
  Location: Delhi
  E-mail: info@informativeworld.com
  Job Code: CJ154930

- **HEAD - OPERATIONS & FINANCE**
  Company: Hitech Placements
  Job Profile: Responsible for leading a team of 10-30 individuals. Should have excellent people management skills, example, work allocation, optimisation, performance appraisal & develop and maintain processes and procedures
  Experience: 8-12 years
  Location: Bangalore
  E-mail: pushpa@hitechmanpower.com
  Job Code: CJ161919

- **HEAD OF MARKETING**
  Company: PES Global Private Limited
  Job Profile: Seeking a head of marketing for a leading consumer products - beverages company. The person should be good in brand management, launches, media planning, media buying, advertisements, campaigns, etc
  Experience: 10-20 years
  Location: Mumbai
  E-mail: resumes@protechexecutive.com
  Job Code: CJ161731

- **SOFTWARE GENERAL MANAGERS/VICE PRESIDENT**
  Company: Zend Consulting Services
  Job Profile: Will be playing the role of a strategic vendor relationship manager. Will be accountable for all activities performed by one or more strategic vendors etc
  Experience: 15-25 years
  Location: Pune
  E-mail: vipul@zcsindia.com
  Job Code: CJ160017

- **DGM/GM (SALES)**
  Company: ALLIED CONSULTANTS
  Job Profile: DGM/GM(sales) for a leading FMCG company Would be responsible for all aspects of sales including business developement
  Experience: 12-14 years
  Location: Noida
  E-mail: allied295@rediffmail.com
  Job Code: CJ154503

- **SAP LEAD**
  Company: Sonyo Consultants
  Job Profile: Domain experience should be in oil & gas industry, utility-ISoil is mandate, minimum 2 full life cycle implimentation is required, good interpersonal skill
  Experience: 7-18 years
  Location: South Dakota & South Carolina
  E-mail: bindiya@sonyocareers.com
  Job Code: CJ161941

- **HEAD HR**
  Company: Mancer Consulting Services
  Job Profile: Responsibility for strategic planning and operations of human resources, to operate at both an operational and strategic level. Will be a member of core management team
  Experience: 9-12 years
  Location: Delhi
  E-mail: anu@mancerconsulting.com
  Job Code: CJ163494

- **DIRECTOR - HUMAN RESOURCES**
  Company: Windows Consultants
  Job Profile: Delivering HR support on initiatives like employee engagement, performance management, and career planning. Identify training and development issues. Assist managers with organisational planning, restructuring etc
  Experience: 10+ years
  Location: Delhi
  E-mail: sadhna@windowsindia.net
  Job Code: CJ163496

- **CHIEF EXECUTIVE**
  Company: Live Connections
  Job Profile: A person with good contacts with the govt. and semi govt/pubic sector statutory undertakings for hydro electric power. The person will have a flair for networking, building relationships and making an impact with decision makers in the ministries of the central and state Govt
  Experience: 18-20 years
  Location: Faridabad
  E-mail: ragav@livecjobs.com
  Job Code: CJ163535

- **SENIOR PROJECTS MANAGER**
  Company: Live Connections
  Job Profile: A senior resource for a power development role. However the role involves 80% power development work and 20% knowledge of financial models. Ability to make detailed project reports and work on the feasibility reports for projects *i.e.* preparing risk analysis reports, strategic SWOT analysis of potential projects etc
  Experience: 16-18 years
  Location: Andaman & Nicobar Islands
  E-mail: ragav@livecjobs.com
  Job Code: CJ163537

- **CTO**
  Company: PES Global Private Limited
  Job Profile: Require a live wire CTO for a leading travel and tourism major with heavy reliance on information technology. The person should be good at hardware, networking, infrastructure, software, vendor mgt, IT security, people handling, project mgt
  Experience: 5-7 years
  Location: Mumbai
  E-mail: resumes@pesglobal.in
  Job Code: CJ151118

- **SENIOR MANAGER-WAREHOUSE & LOGISTICS**
  Company: JV Management Consultants
  Job Profile: To lead, guide and motivate a large team of around 200 professionals comprising of managers, executives and skilled/unskilled personnel. To keep them abreast of technical changes & improvements. To plan & implement Kaizen improvement programs
  Experience: 20+ years
  Location: Dubai, Masqat
  E-mail: jvmcjobs@yahoo.com
  Job Code: CJ158915

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JOBS IN FINANCE

FINANCE MANAGER
Company: Accord Consultant
Job Profile: Funding, banking, accounts, taxation (sales tax), should have worked on financial & accounting concepts (AR, AP, GL) attention to detail is a must. Ideally looking for a strong finance accounting candidate
Experience: 5-7 years
Location: Delhi
E-mail: acs.accord@rediff.com
Job Code: CJ163252

AGM/DY. GM (RETAIL/FINANACE)
Company: AMRA Associates
Job Profile: Must have had good exposure to retail and channel financing in automobile sector. Should be well aware of agricultural credit policies of major public & private sector banks
Experience: 12-15 years
Location: Delhi
E-mail: murali@amra.in
Job Code: CJ163426

GENERAL MANAGER- HEAD OF INDIA OPERATIONS
Company: Spaasm Technologies
Job Profile: Manage day-to-day tasks for India operations, including IT, HR, accounting, account management, recruiting and other functional areas
Experience: 8+ years
Location: Gurgaon
E-mail: sid@spaasmworld.com
Job Code: CJ163130

CHARTERED ACCOUNTANT
Company: PES Global Private Limited
Job Profile: Seeking a young and dynamic chartered accountant for a leading pharma company. The person should be good in accounting, reconciliation, preparing P&L and balance sheet
Experience: 4-9 years
Location: Mumbai
E-mail: resumes@pesglobal.in
Job Code: CJ150983

MANAGER (FINANCE & LIAISON)
Company: NuWave eSolutions Pvt Ltd
Job Profile: Candidate should be C.A. with 5 years exp. in financial management, taxation, accounting, STPI, FEMA and software packages
Experience: 4-6 years
Location: Delhi
E-mail: hrd@nepl.co.in
Job Code: CJ162691

ASSISTANT MANAGER - FINANCE
Company: GNG Group
Job Profile: Must know general ledger accounting & reconciliation, budget preparation and monitoring variances, taxation accounting and compliance with all internal and external statutory requirements
Experience: 3-8 years
Location: Gurgaon
E-mail: finance@gnggroup.com
Job Code: CJ152247

SR. MANAGER - FINANCE
Company: Kids Media India Pvt Ltd
Job Profile: Will be a financial controller. Should have thorough knowledge of compliance issues for the television & media industry
Experience: 5-10 years
Location: Mumbai
E-mail: india@spacetoongroup.com
Job Code: CJ153782

ACCOUNTANT
Company: Lexygen
Job Profile: Maintaining books of accounts, preparation of periodical reports, MIS, statutory compliances like TDS Returns, IT filing, TDS remittances, liaisioning with bankers/vendors etc
Experience: 3+ years
Location: Bangalore
Job Code: CJ159587

AGM - FINANCE
Company: Ideal Placement & Consultants (P) Ltd.
Job Profile: Must be heading the department of finance of a reputed manufacturing company
Experience: 10-11 years
Location: Hyderabad
E-mail: hr.adm@idealconsultants.com
Job Code: CJ161983

DGM - FINANCE
Company: mynichejobs
Job Profile: Head finance & accounts for the new venture
Experience: 5-10 years
Location: Chennai
E-mail: bank@nichejobs.in
Job Code: CJ163014

ACCOUNTS INCHARGE - NDMC PROJECT
Company: Ramky Enviro Engineers Ltd.
Job Profile: Responsible for NDMC project accounting works and sync them with the Ramky group accounting systems
Experience: 5-15 years
Location: Delhi
Job Code: CJ162986

SR. EXECUTIVE - FINANCE AND ACCOUNTS
Company: Laven Consultants
Job Profile: FAS payments, ETX handling, cheque payments, onward remittance, reporting of treasury balances and operations
Experience: 3-5 years
Location: Bangalore
E-mail: lavenconsultants002@gmail.com
Job Code: CJ158340

GENERAL MANAGER
Company: Client of Personnel Network
Job Profile: Will be responsible for all finance/accounts/commercial, liaison, IT, ERP activities of 150 man, 100 crore public limited manufacturing/trading unit
Experience: 12-18 years
Location: Ludhiana
E-mail: engg.pn@spectranet.com
Job Code: CJ159857

FINANCE ACCOUNTING MANAGER
Company: Talent Corner HR Services Pvt Ltd
Job Profile: Fully responsible for the accounting, finance and company secretarial function at the business and group level
Experience: 3-4 years
Location: Aurangabad
E-mail: sheetal.tiwari@tcmail.co.in
Job Code: CJ161189

AUDIT MANAGER/COMPLIANCE HEAD
Company: Business Solutions
Job Profile: Responsible for assessment of business risks, conducting risk analysis, streamlining business processes, active participation in audit teams, including audit planning, fieldwork and report writing
Experience: 3-10 years
Location: Mumbai
E-mail: alefiyasolutions@gmail.com
Job Code: CJ163109

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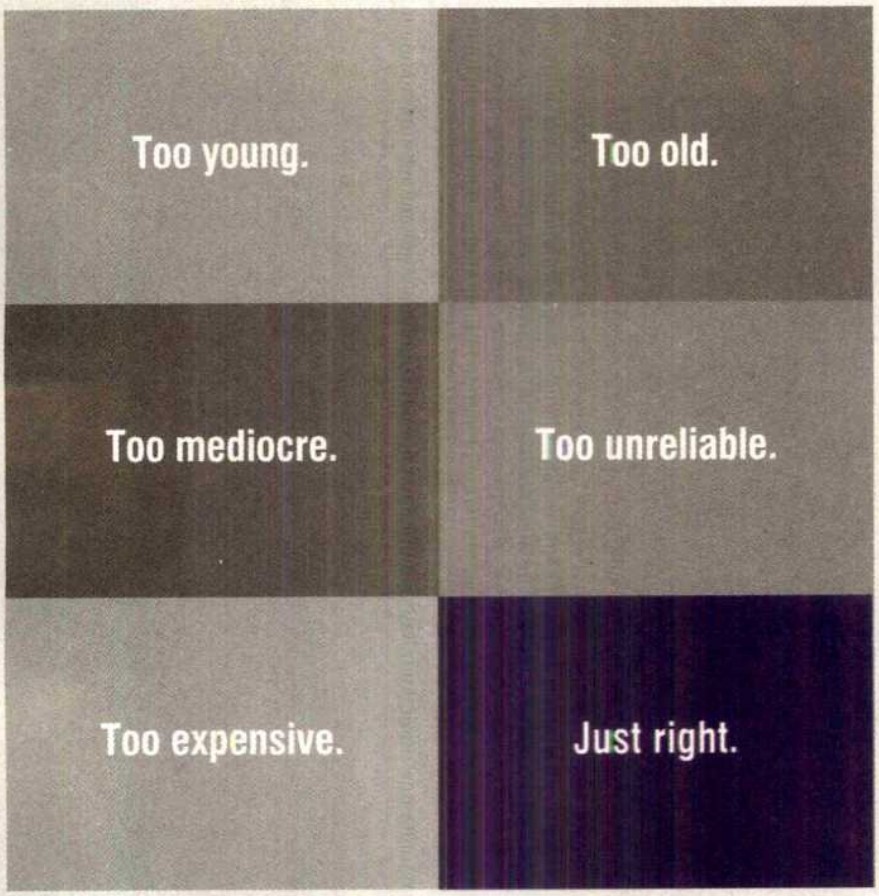

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JOBS IN SALES

- **RELATIONSHIP MANAGER - RETAIL BANKING**
  Company: Actinum Technologies
  Job Profile: Achieve sales target by driving a team of 15 members to generate and close leads. Assist team members with field sales calls as and when required. Report to branch manager
  Experience: 3-4 years
  Location: Chennai
  Job Code: CJ155097

- **REGIONAL MANAGER - SOUTH INDIA**
  Company: Hitech Placements
  Job Profile: Business development & brand management, team management, key account management, channel sales management/ distribution. Handling inventory & logistics
  Experience: 8-12 years
  Location: Bangalore
  E-mail: global.jobs@hitechmanpower.com
  Job Code: CJ162790

- **SALES COORDINATOR**
  Company: Hitech Placements
  Job Profile: Emailing business quotation, payment follow-ups, co-ordinating with sales team, co-ordinating with internal department
  Experience: 1-2 years
  Location: Bangalore
  E-mail: padma@hitechmanpower.com
  Job Code: CJ162951

- **TELEMARKETING EXECUTIVE**
  Company: BharatMatrimony.com Pvt. Ltd.
  Job Profile: Looking out telemarketing executives with experience in core telemarketing preferably credit card or similar marketing experience
  Experience: 1-2 years
  Location: Chennai
  Job Code: CJ154791

- **GENERAL MANAGER**
  Company: Mascot (Human Resource Management)
  Job Profile: Formulate sales strategy to exceed/achieve budget/business plan figures for our products, marketing campaign to ensure market visibility for organisation etc
  Experience: 10-15 years
  Location: Mumbai
  Job Code: CJ152714

- **BUSINESS DEVELOPMENT MANAGER**
  Company: Sage Technologies
  Job Profile: Must have knowledge of sales, life insurance, business development
  Experience: 2-4 years
  Location: Mumbai, Pune & Maharashtra
  E-mail: resume_rpo@sagetl.com
  Job Code: CJ161899

- **SALES DEVELOPMENT MANAGER**
  Company: Vertex Enterprises
  Job Profile: Must have strong retail sales/ distribution experience, preferably from the financial sectors
  Experience: 1-5 years
  Location: Bangalore & Karnataka
  E-mail: vinayak.vertex@gmail.com
  Job Code: CJ161629

- **AGM**
  Company: Seaways Shipping Limited
  Job Profile: Develop freight forwarding business of air/sea cargo, retain existing clients, acquire new clients, develop new markets, diversify the client base, be responsible for recoveries and ensure profitable deals
  Experience: 7-15 years
  Location: Mumbai, Kolkata & Bangalore
  E-mail: careers@seawaysindia.com
  Job Code: CJ151178

- **MANAGER - MARKETING**
  Company: Emco Ltd.
  Job Profile: Must have experience in sales & marketing
  Experience: 8-12 years
  Location: Chennai, Kolkata & Bangalore
  Job Code: CJ160424

- **BUSINESS MANAGER**
  Company: Client of HR4NATION
  Job Profile: Responsible for overall P&L of the business unit, analysis of market information, product management, working capital management, man management
  Experience: 3-6 years
  Location: Chennai
  Job Code: CJ163043

- **NATIONAL SALES MANAGER**
  Company: Client Of Mangalam
  Job Profile: Branch administration, should handle the branch managers & depot managers Prefer Industry - paint
  Experience: 10-15 years
  Location: Mumbai
  E-mail: hemangi@mangalamjobs.com
  Job Code: CJ162948

- **KEY ACCOUNTS MANAGER**
  Company: PES Global Private Limited
  Job Profile: Manage telecom partner regionally. Proactive account management, existing customer, identification of growth opportunities, maintain extensive interaction with members of cross-functional team to ensure service & solutions
  Experience: 2-4 years
  Location: Mumbai
  E-mail: resumes@pesglobal.in
  Job Code: CJ151173

- **REGIONAL BUSINESS HEAD**
  Company: Ideal Placement & Consultants (P) Ltd.
  Job Profile: Incharge of achievement of sales in Tamilnadu for all three sectors (corporate sales, institutional sales & hospitality). Taking care of the entire operations in the branch
  Experience: 10-15 years
  Location: Bangalore
  E-mail: hr.engg@idealconsultants.com
  Job Code: CJ160530

- **BUSINEES MANAGER - EXPORTS**
  Company: Ideal Placement & Consultants (P) Ltd.
  Job Profile: Develop annual business plans in alignment with the strategic objectives of the company, plan, forecast and prioritise activities related to marketing/sales for the team to achieve the set goals
  Experience: 10-15 years
  Location: Chennai
  E-mail: ravi@idealconsultants.com
  Job Code: CJ160779

- **HEAD GLOBAL SALES**
  Company: O2F Consultancy Services
  Job Profile: Experience in selling ERP package products, experience in sales, strategy planning, revenue generation, estimations
  Experience: 10-15 years
  Location: Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, Pune, Thiruvananthapuram (Trivandrum), Ahmedabad, Gurgaon & Noida
  E-mail: subhasri.g@origintofuture.com
  Job Code: CJ161667

- **BRANCH MANAGER**
  Company: Career Avenues

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Job Profile: To act as a profit centre head and handle a team of ABM And SMs and drive the team to generate desired business
Experience: 6-11 years
Location: Gujarat
Job Code: CJ162209

- **SR. SALES MANAGER**
  Company: Career Avenues
  Job Profile: Handling all the public sector undertaking departments and all small and big corporate houses
  Experience: 3-8 years
  Location: Gujarat
  E-mail: ankitacareer@gmail.com
  Job Code: CJ162187

- **TERRITORY MANGER**
  Company: Career Avenues
  Job Profile: Area mapping and survey of area to judge the potential of internet business, presentations to prospects on the various business models etc
  Experience: 3-7 years
  Location: Pune
  E-mail: shyam@careeravenues.net
  Job Code: CJ162023

- **SALES MANAGER/ASST. SALES MANAGER**
  Company: Auro Ace Management P.Ltd
  Job Profile: To handle recruitment of financial advisors, to ensure achievement of targeted business through the team, to mentor, coach advise to enhance performance levels to understand the market
  Experience: 5+ years
  Location: Coimbatore, Erode, Salem, Tiruchirapalli
  Job Code: CJ159869

- **SALES MANAGER**
  Company: The Suntech Corp
  Job Profile: The candidate should build a team of his own and should be should be capable enough to drive them to bring business for the company
  Experience: 1-13 years
  Location: Nizamabad, Hyderabad, Bangalore & Mumbai
  Job Code: CJ162473

- **COUNTRY MANAGER**
  Company: Talent Corner HR Services Pvt Ltd
  Job Profile: To own and manage specific country verticals within a zonal hub and develop quarterly targets
  Experience: 1-3 years
  Location: Mumbai
  E-mail: sonia.karia@tcnail.co.in
  Job Code: CJ161662

- **MANAGER BUSINESS DEVELOPMENT**
  Company: Winny Associates
  Job Profile: Must have persuasive/marketing capabilities
  Experience: 2-5 years
  Location: Delhi & Noida
  Job Code: CJ163242

- **DIRECTOR BUSINESS DEVELOPMENT**
  Company: Sankara Software
  Job Profile: Must have thorough understanding of the contact center industry and how it relates to business to consumer clients, extensive networking contacts in the call center industry
  Experience: 5-8 years
  Location: Chennai
  E-mail: hr@sankarasoftware.com
  Job Code: CJ161565

- **RETAIL SALES EXECUTIVE**
  Company: Live Connections
  Job Profile: NR savings account acquisition (NTB relationships) and cross selling third party products
  Experience: 1-4 years
  Location: Chennai
  E-mail: shin@livecjobs.com
  Job Code: CJ163239

- **TELECOM PRE SALES MANAGER**
  Company: GlobalHunt India Pvt Ltd
  Job Profile: To understand the customer's business and technical requirements & project the technical advantages of the company's products & solution offers, with the intention of securing business
  Experience: 5-12 years
  Location: Delhi & Gurgaon
  E-mail: jobs@globalhunt.in
  Job Code: CJ163231

- **SALES - ENGINEER**
  Company: PES Global Private Limited
  Job Profile: Prepare sales plans & achieve targets. Enhance business opportunities, interface for technical demo of product & relationship development
  Experience: 2-6 years
  Location: Mumbai
  E-mail: resumes@pesglobal.in
  Job Code: CJ151213

- **SENIOR RELATIONSHIP MANAGER**
  Company: PES Global Private Limited
  Job Profile: Client acquisition and engagement, to act as preferred financial consultants and provide advisory services to clients with respect to their investible funds
  Experience: 2-7 years
  Location: Mumbai
  E-mail: resumes@protechexecutive.com
  Job Code: CJ161752

- **UPS SALES MANAGER**
  Company: Saluja CAD Consultancy
  Job Profile: 4-6 years work exp. in home UPS/inverter market & for institutional sales
  Experience: 4-6 years
  Location: Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad & Pune
  Job Code: CJ161870

- **SALES MANAGER**
  Company: Fairlinks Placements
  Job Profile: Must possess leadership qualities. Should have good networking skills to drive and generate the leads and recruit influential advisors
  Experience: 3-11 years
  Location: Hyderabad
  E-mail: mktg@fairlinksindia.com
  Job Code: CJ162069

- **UNIT MANAGERS**
  Company: Credentials Management Consultants
  Job Profile: Identify potential financial consultants based on agreed profiles and ensure recruitment in accordance with the business plan
  Experience: 3-8 years
  Location: Delhi, Gurgaon, Noida, Faridabad & Ghaziabad
  Job Code: CJ162347

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JOBS IN MARKETING & COMMUNICATIONS

- **AGM**
  Company: Corp Placements
  Job Profile: For a leading real-estate company in Bangalore. Will head the corporate communications role in the company. Should have 8-10 years of experience in top 10 advertising agencies
  Experience: 8-12 years
  Location: Bangalore
  Job Code: CJ162557

- **PR COORDINATOR**
  Company: Needs & Solutions
  Job Profile: Interface between marketing, merchandising, store people & PR agency, to coordinate with models, actors, celebrities, HNIs to ensure right kind of publicity for the store, etc
  Experience: 2-3 years
  Location: Bangalore
  Job Code: CJ137236

- **COPY WRITER**
  Company: Talent Corner HR Services Pvt Ltd
  Job Profile: Should have worked across domains (advertising, direct, interactive) and be familiar with IT advertising
  Experience: 2-3 years
  Location: Bangalore
  E-mail: purnima.karnik@tcmail.co.in
  Job Code: CJ163045

- **OPERATION AND EVENT MGR**
  Company: Talent Corner HR Services Pvt Ltd
  Job Profile: Handling operations and execution of various events and BTL activities, maintaining reporting systems and production details, handling client communications and ideation presentations
  Experience: 2-3 years
  Location: Mumbai
  E-mail: resume@tcmail.co.in
  Job Code: CJ162610

- **ASSOCIATE CREATIVE DIRECTOR INTERACTIVE COPY**
  Company: Talent Corner HR Services Pvt Ltd
  Job Profile: Should have conceptualised and created content for many websites. Should have had some advertising experience at some time in his/her career
  Experience: 10-11 years
  Location: Bangalore
  E-mail: alok.shah@tcmail.co.in
  Job Code: CJ161759

- **OFFICER - SPACE SELLING**
  Company: Corp Placements
  Job Profile: Should have experience in sales, print media space selling. Shall be responsible for advertisement sales for Delhi/NCR
  Experience: 2-5 years
  Location: Delhi
  E-mail: jeeva@corpplacements.com
  Job Code: CJ161370

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  Company: GNG Group
  Job Profile: The person will be responsible for tender search and marketing process. He will be responsible for the empanelment of the company with various agencies like Power Grid, MES etc.
  Experience: 2-5 years
  Location: Delhi & Gurgaon
  E-mail: marketing@gnggroup.com
  Job Code: CJ156693

- **CONTENT WRITER**
  Company: Right Write Services
  Job Profile: Will be involved in writing and developing content for various websites, brochures & other publications. Writing includes creating documents from scratch and also rewriting documents & information
  Experience: 0-1 years
  Location: Bangalore
  E-mail: kimnatassja@right-write.com
  Job Code: CJ163147

- **MANAGER MARKETING**
  Company: Windows Consultants
  Job Profile: Create customer segmentation and identify the target segments, create value propositions for the identified segments, responsible for executing marketing campaigns for the identified markets, etc
  Experience: 0-5 years
  Location: Delhi
  Job Code: CJ160556

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  Location: Delhi & Noida
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- **MARKETING CO-ORDINATOR**
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  Job Profile: Handling sales & increasing the business
  Experience: 2-5 years
  Location: Pune
  E-mail: vazeplace@youtele.com
  Job Code: CJ161735

- **GM/DGM MARKETING**
  Company: Ideal Placement & Consultants (P) Ltd
  Job Profile: Forms a link between the marketing wings led by the manager marketing, operational wing led by the manager operations, assisted by the zonal managers and branch managers
  Experience: 5-10 years
  Location: Vijayawada
  E-mail: hr.engg2@idealconsultants.com
  Job Code: CJ163282

- **SR. MARKETING EXECUTIVES**
  Company: Free Press Journal Newspaper
  Job Profile: Job involves formulating and implementing innovative space marketing strategies, acheiving targets, maintaining active communication channels with advertising agencies and clients
  Experience: 1-4 years
  Location: Mumbai
  E-mail: fpj@vsnl.com
  Job Code: CJ163156

- **ADVERTISING MARKETING EXECUTIVE**
  Company: Ideal Placement & Consultants (P) Ltd
  Job Profile: Media sales including small & medium business, sales experience in print, yellow pages, newspaper classifieds, local paper experience preferred - but not essential, other direct sales experience including concept selling of resorts, office products etc. will be considered
  Experience: 0-4 years
  Location: Hyderabad
  E-mail: hr.adm6@idealconsultants.com
  Job Code: CJ160784

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FABINDIA

GOODWILL HUNTING: Fabindia aims to create 100,000 skilled jobs to preserve traditional art forms

Corporate social responsibility is adding to companies' bottomlines

The business of BEING NICE

PIERRE MARIO FITTER

ANY publicity is good publicity, goes the old maxim. Try selling that to Tatas. Its image as a responsible corporate citizen literally took a beating when protestors turned violent outside its proposed factory in Singur, this March. Coca-Cola probably won't buy the theory either. It was forced to shut down an entire bottling plant after a Kerala panchayat alleged it had depleted the local ground water table. "There is a correlation between bad corporate practices and bad consumer responses," says Amita V. Joseph, the director of Delhi-based Business and Community Foundation.

About 10 years ago, Joseph would have been labelled an anti-business activist. But today, many businesses have come to understand that being a good corporate citizen can also mean significant benefits. "There are direct financial benefits of doing good business," says Arun Maira, CEO of the Boston Consulting Group in India. "If you don't understand how your operations hurt the community, you could end up paying huge costs."

Charity Begins At Home

"We explain to our clients how corporate social responsibility (CSR) can actually become a part of their core business," says Khurram Naayaab, a programme manager at CSR consultants, Partners in Change.

There are several examples of what Naayaab and Maira are talking about. The ITC group's e-Choupal project gives access to IT kiosks to four million farmers across nine states in India. These kiosks provide information about the weather, crop prices and fertilisers. "This has increased farmer incomes by 30-40 per cent," says an ITC spokesperson. "As a business, this gives us access to reliable sources of farm produce."

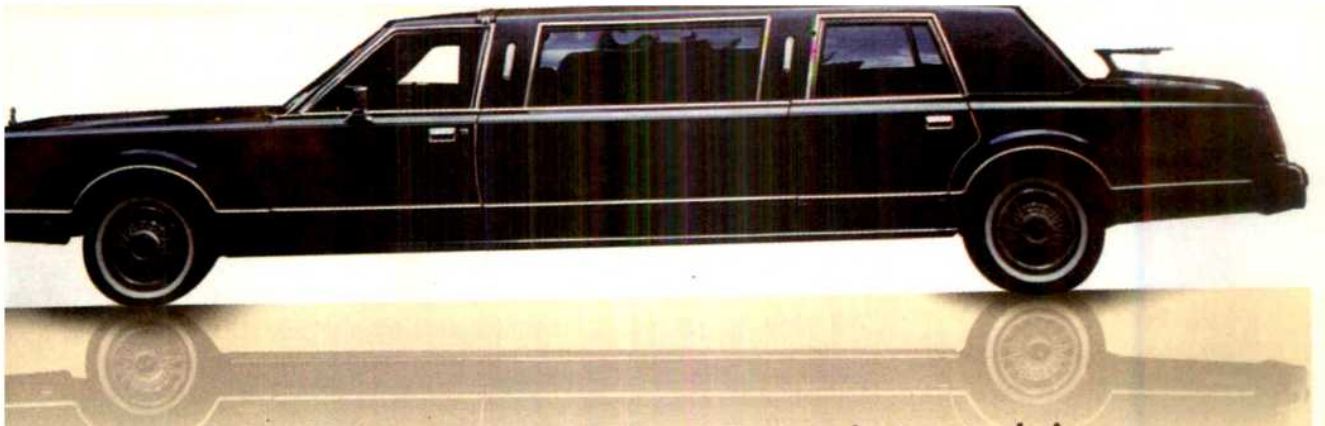
ITC's Social and Farm Forestry project also provides a comprehensive package of support to tribal areas. It includes loans, planting of saplings and plantation maintenance. The tribals grow the saplings, which are later used by ITC for wood pulp. The project has generated 28 million days of employment. ITC has also earned carbon credits from the nearly 75,000 acres of green cover. According to the spokesperson, ITC is probably India's largest company to have a positive carbon and water balance. "Our projects cover the twin goals of creating social development and shareholder value."

Another company known for its pro-environment operations is the Orchid Hotel chain. Even the bricks used in the buildings are recycled from waste-materials such as fly ash. Each room has an 'eco button', which the guests can use to reduce the air-conditioning load. The group has also invested in electricity, water, lighting and solid waste management. "There are costs involved in putting up these systems in place," admits Delyse Braganza, vice-president (sales and marketing) of Orchid hotels. "But it helps us save money in the long run." Such practices have won the Orchid an 'Eco-tel' certification from the US-based HVS Eco Services.

Even Coca-Cola, a popular target for environmentalists, says it has revised its water usage policy. Praveen Agarwal, Coca-Cola's head of CSR activities, says the company's water recycling, harvesting, and recharging projects saved more than 100 million litres of water in 2006. "That's 35 per cent of our water usage over six years," says Aggarwal. "You look at the direct benefits of using less water, power, land, etc," says Maira. "This is a direct way of measuring benefits."

Branding It Right

Harish Manwani, the chairman of Hindustan Unilever (HUL), believes his brands should do the talking. "We run exercises that help a brand identify a social issue or 'cause' that fits naturally with it," Manwani said at the company's annual general meeting this May. In response to a growing number of iodine-deficiency diseases, HUL developed a



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Having their cake and eating it too

Practising CSR gives companies the double advantage of a healthier business and an improved image

Company & core business	CSR practice	How they help the business
Philips Medical systems, electronics products and lighting	Will advertise only the environment-friendly products	These products have slightly higher margins, as they use more advanced technology. Example: CFL bulbs vs incandescent bulbs
VLCC Institutes Beauty and healthcare training programmes	Provides scholarships and grants for poor and blind students	VLCC hires some of the people it trains and benefits from a more skilled workforce and higher employee commitment
HDFC Banking and financial services	Intensive staff training programmes and scholarships	The programmes provide quality employees with high morale, hence improved employee retention
Delhi Metro Corporation Metro rail	Construction-site safety and management	Better-than-required construction-site safety reduces accidents. This helps to keep construction to schedule and lowers costs from delays
NTPC Power generation	Environmental management and community development	Recycling by-products of power generation reduces costs of buying raw materials. Community programmes improve local relations

Source: *BW* research

technology that preserved the iodine content in salt even after cooking. Thus, HUL's Annapurna salt is the first brand to be endorsed by the International Council for the Control of Iodine Deficiency Disorders. HUL's thesis about brands is reaffirmed in a study by GlobeScan, a consumer and public opinion agency. It showed that 60 per cent of global consumers considered social and environmental factors while choosing brands.

Long-Term Benefits

"Credibility is key for shareholders with a long term stake in our group," says Anant Nadkarni, group vice-president of CSR at the over 100-year-old Tata Group. Nadkarni works at the Tata Council for Community Initiatives, which comprises managing directors of 60 Tata companies. Each member-company regularly reports on sustainability issues. "Suppliers are also included in the effort and we want to secure their commitment," says Nadkarni.

Rural handicraft retailer, Fabindia, is another model of a sustainable business. The company sources all its products directly from village artisans. Founded by John Bissell in the 1960s, Fabindia wants to create 100,000 skilled jobs in rural India. Because Fabindia's products are all hand-made, production cannot be ramped up if demand suddenly rises. To reduce supply gaps, the company now plans to move from a single, central warehouse model to regional warehouses, which will be partly owned by the artisans who supply to them.

"When we involve the artisans in the wealth creation process, it gives them a sense of ownership which is crucial to success, since they are a vital link in the chain," says Dilpreet Sokhi, of Artisans Micro Finance, a Fabindia subsidiary. Sokhi facilitates the setting up of regional community-owned companies that are partly owned by the artisans themselves. The believers in Fabindia's business model are growing James Wolfensohn, the former World Bank chief, recently picked a 6 per cent stake in the company.

Strength In Numbers

As individual companies show successes from reinventing their business models for goodness, whole industries are now getting in on the act. The Forest Stewardship Council, a Washington-based global forest protection agency, sets strict guidelines for member companies on the usage of forest resources. One of its five Indian members, S&D Aroma, a Delhi-based exporter of aroma oils and wood products, found business sense in the stricter regulations. "We have now started to see the fruits of membership through increased sales and enquiries," says Ajay Kapoor, managing director of the company. He believes this is because more customers are demanding eco-friendly products.

CSR is now even a marketable asset. London's Financial Times Stock Exchange (FTSE) has an index called FTSE4Good. This index lists companies that follow CSR guidelines laid down by the FTSE4Good board. The board constantly evolves these rules and companies are required to demonstrate compliance to retain their listing. This September, 24 companies lost their listing for failing to meet new requirements. BCG's Maira adds that some financial institutions use such ratings to assess lending risks to companies. Some even charge higher rates of interest from riskier borrowers. Effectively, it actually pays for companies to do good!

But CSR for sustainability also has its critics. Robert Recih, Bill Clinton's former labour secretary believes such companies only act out of long-term interest. Nadkarni disagrees. "The business of business is to create sustainable value," he says. "But that is not possible when businesses consume resources that are public property." ■

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guest comment

A cause

KARTIKEYA KOMPELLA

THE mantle of social responsibility constantly finds itself resting on new shoulders with the passage of time. Social responsibility has traditionally been the domain of the most powerful force in a country. While this hasn't changed much over centuries, there has been a significant change in what is the most powerful force in a country. When monarchy was in vogue, social responsibility was under the purview of the monarch. In the West, over time, this responsibility passed on to the Church. By the 1700s, the responsibility of the greater good shifted to democratic governments and with the rise of capitalism, it now lies with business.

But there's not been much protest from business, as it recognises the benefits of being seen as socially responsible. Consider the findings of the Edelman Trust Barometer 2006: only 49 per cent of respondents in the US and 38 per cent of respondents in Europe trust business to do what is right — a woefully low score. The silver lining is that well over 60 per cent respondents consider a company's social responsibility track record as a strong attribute for building trust. While there is a crisis of trust, the pathway to redemption is also clearly charted out.

Companies practise corporate social responsibility (CSR) for a variety of reasons, including, in many cases, a genuine sense of social responsibility or the need to appear concerned. Unfortunately, often, either the genuineness of the intent or the forced need to appear concerned makes companies pursue their CSR in a sub-optimal manner. While some companies that are doing CSR out of a genuine desire don't feel the need to maximise the benefits of their efforts, other companies that are doing CSR out of compulsion are too disinterested to maximise the gains from their CSR programme.

But a method of aligning philanthropy with profitability is 'cause related branding'. It helps strengthen the brand while serving society. Cause related branding is an interesting way of creating a wonderful win-win situation wherein the brand gets business benefits from its CSR activities, thereby encouraging greater investment in CSR to get greater business benefits. Society and business both stand to benefit and this is what makes cause related brand-

for your brand

The world over, companies have strengthened their brands by linking them to social causes

BLOOMBERG

ALL FOR A CAUSE: Activists from Ben & Jerry's protest the FDA's position on meat and milk from cloned livestock in Washington

ing so important.

Cause related branding can help a brand in the following ways:

Building brand preference: Much of a brand's efforts are made in the direction of making consumers prefer their brand to others. The 2004 Cone's Corporate Citizenship Study (to benchmark how corporate partnerships impact non-profits by Boston-based strategic marketing firm Cone) indicates that all things being equal (price, quality, etc.), 86 per cent of the respondents would prefer a brand that supports a cause to one that doesn't. This is a 20 per cent rise over the 1993 Cone survey figure of 66 per cent showing clearly that cause association is something that consumers appreciate.

Reinforcing the brand stance: Given the intense competition in markets and the short attention span of consumers, brands keep searching for ways to remind consumers what they are about. Cause related branding could do this effectively using a bit of ingenuity.

Tums, an antacid in the US, ran a promotion wherein its maker offered to donate 10 cents on every bottle sold to fire departments. The promotion was backed with a campaign, 'Tums puts out more fires than you think'. It not only reinforced what the brand was about but also lifted the brand beyond product benefit comparisons. The campaign also raised $238,000, which went to buying equipment for 60 fire stations across America.

Building differentiation: This is central to branding. The purpose of building a brand is to enable consumers to differentiate it from competition. Cult brands such as Ben & Jerry's, Patagonia and The Body Shop, have all built their brands by differentiating themselves through association with causes. Ben & Jerry's is dedicated to the creation and demonstration of a new corporate concept of linked prosperity. Its 'One Sweet Whirled' is an ice cream brand that also suggests saving the world from global warming by encouraging people to take simple, easy actions to reduce their carbon dioxide emissions. Its website is aptly named www.lickglobalwarming.org.

The Body Shop gained immense popularity and achieved tremendous differentiation as a lifestyle brand involved in several forms of activism. The brand fought hard on issues such as preventing testing of cosmetics on animals and managed to get testing of cosmetics on animals banned in the UK. The brand was also well received for its self-esteem related campaign that featured a plump doll and the line, 'There are 3 billion women who don't look like supermodels and only eight who do'. The campaign was later banned over alleged self-esteem issues by critics but it helped build The Body Shop as a cosmetic brand with a different take on beauty and self esteem.

Driving sales: In an era that has almost an unhealthy obsession with sales, it is encouraging to know that cause related branding could help drive sales. The Tums promotion mentioned earlier pushed up the brand's sales by 16 per cent, which was great given that antacids are a low involvement category not prone to huge fluctuations.

In the 1980s, the Statue of Liberty required renovation and funds were being raised to this end. American Express aligned itself with this cause through a promotion where the company pledged to donate 1 cent every time an Amex card was used during the promotion period. They also promised to donate $1 for every new card issued at this time. Card usage went up by 28 per cent and new card sales increased by 17 per cent. (The company raised $1.7 million through the promotion.) An indirect benefit was the substantial image benefit from the association with the Statue of Liberty, a proud symbol of America.

In 1997, Coca-Cola donated 15 cents for every case of Coca-Cola bought during a six-week promotion in 400 Wal-Mart stores, to Mothers Against Drunk Driving, a very popular and hugely emotive non-profit organisation. Coke sales in these stores increased 490 per cent during the promotion period.

No doubt, well conceptualised and executed cause related branding have a sound business case as they can deliver for both brands and society. ■

Kartikeya Kompella is the author of two books on branding

DROP-TOP gorgeous

There are few takers for topless cars in India, but international glamour brands are queuing up anyway

FEROZ AHMED

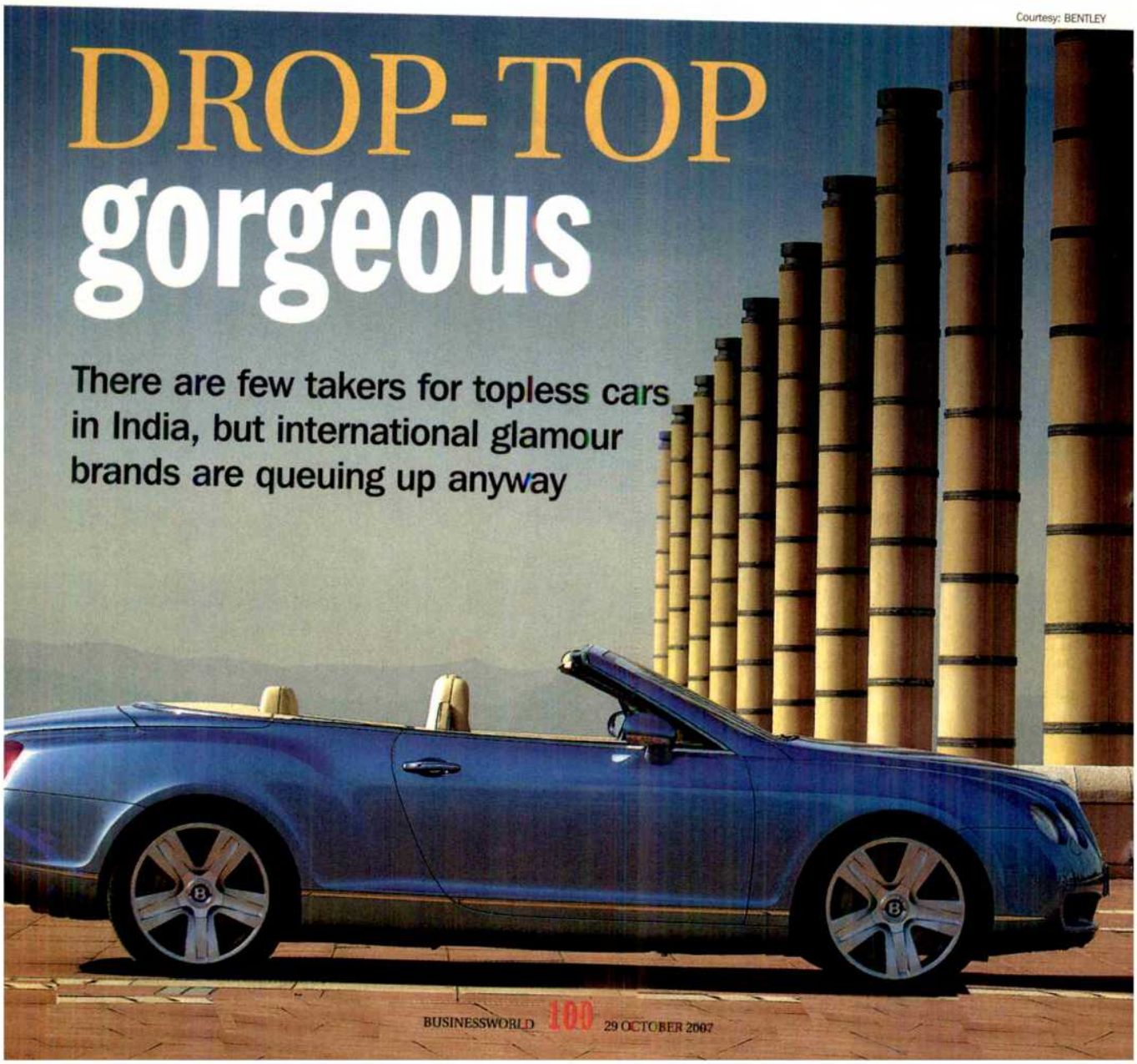
BENIGN sun on the back, cool wind messing up your hair, sounds and smells of the scene filling your senses, and the landscape rushing past the corner of your eye — bliss you can only achieve in a convertible or a topless car. Add to that, the snug and tasteful interiors of a sophisticated sedan, you get as close to nirvana on wheels as you can. Now, it is possible to experience that thrill in India with best of the luxury convertibles becoming available — Bentley Continental GTC, BMW 650i, Porsche 911 Turbo among others, offer a fair choice for the discerning wealthy.

However, convertibles are slow to pick up in India. Blame it on a lack of tradition or hot weather and pollution. Less than 100 convertibles are likely to be sold in India in 2007, according to Mercedes dealer Delhi's T&T Motors' President T.V. Thomas. But, the talk of India's prospering economy already having 100,000 dollar millionaires is pulling the lifestyle automakers into India. Bentley and Lamborghini dealer in India, Satya Bagla, points out that the number of ultra-luxury convertibles sold in India is still too small — in single digits for Lamborghini and, potentially, in early double digits for the recently launched Bentley Continental GTC and Azure cars. "This is the time to invest for the future," he says.

The interest in luxury convertibles has been heightened by the launch of Bentley Continental GTC, adjudged the luxury car of the year by the lifestyle publication, *Robb Report*, ahead of Rolls-Royce Phantom EWB, Maybach S8, and Cadillac XLR-V. With a base price of £130,000 (Rs 1.05 crore) in its home market of UK, and an ex-showroom price of Rs 2.15 crore in India, it is nearly the pinnacle of luxurious consumption.

However, points out Bagla, Continental GTC's appeal is not in its price, but in its style and functional proposition. "Bentley is not a brand of the upstarts who want to make a statement. Rather, most of the Bentleys are bought by the traditional rich who want a car

Courtesy: BENTLEY



BMW 6 series (top) and the Mercedes SL class convertibles cost about Rs 1 crore and are among the most sought after brands among the upwardly mobile. Stepping up to the next level costs another crore

that combines power with luxury like no other car," he says. Well, it is hard to argue with Bagla considering that Continental GTC's 6-litre engine propels the car to 60 miles per hour in 4.8 seconds and can achieve a top speed of 195 miles per hour — which makes it almost as zippy a car as a topline Ferrari. "It is the fastest four-seater in the world," Bagla chimes. The fact that it only gives 5 km per litre of petrol should not matter to the Bentley buyer.

Though, most people are likely to see Continental GTC only in pictures and movies, Bagla insists that his clients are too wealthy to worry about scratches and they actually use their Bentleys quite often for pleasure drives between cities or just Sunday soirées.

Considering an annual maintenance contract of Rs 100,000, not including any serious repairs, they certainly could not be worried. However, being a convertible, it does pose some problems in its use, particularly in Indian conditions. There are not too many places in India with temperate weather or clean air. According to Audi India General Manager, Bettina Bernhardt, Audi has not introduced its convertibles range — A4, S4, TT — because of low demand caused by hot weather and poor air quality. But, India at least has mostly clear weather compared to the blighted weather of Bentley's home country, UK. Paradoxically, says Bernhardt, "people living in countries with more unstable weather — the 'you never know' kind — prefer to drive convertibles more than other countries".

With a production line of just 1,500 convertibles a year, Bentley will offer only 25 Continental GTCs in India in 2007. The deliveries will take 5-6 months after booking. "All luxury carmakers offer customisation over the base model and those with passion for such cars do not mind either the price or the waiting period," says Bagla.

The Continental GTC will have to contend with other glamour auto brands such as Mercedes, Porsche, and BMW for the rupees of India's convertible seekers. Ferrari is still a few months away from starting a dealership in India. Bagla, however, sees no direct competition to Continental GTC. "The closest competitor up or down the price line is about Rs 1 crore away from us," he says.

Among luxury cars, sedans or convertibles, only the Rs 4-crore Rolls-Royce and the Rs 5-crore Maybach, are more expensive than Bentley. In convertibles, only the Rs 2-crore Lamborghini Gallardo Spyder, stands next to Bentley. But that is competition within the family, as both Bentley and Lamborghini brands are owned by the Volkswagen group, which acquired both in 1998. Still, within the luxury lane, Indian buyers have other temptations. There is Mercedes SL500, with a 5.4 litre engine and powered retractable top, and is available in India for Rs 1.15 crore. The Porsche 911 Turbo, with a 3.6 litre engine and powered soft top, is available for Rs 1.2 crore; and BMW 650i convertible, with its 5-litre engine and hard retractable top, for a little less than Rs 1 crore.

For those looking to buy a decent convertible without blowing up their bank balance, there are several other options. If you want a Porsche convertible, you can start at Rs 52 lakh for a Boxster. Mercedes fans can buy an SLK 200 Kompressor at a tad under Rs 50 lakh.

Globally, convertibles are staging a comeback. In the UK, for example, only 1 per cent of the cars sold were convertibles a decade ago; now, they make up 4 per cent. The auto makers are also laying it on for those with a fancy for topless cars. In the US, for example, one could get basic convertibles at below $20,000 (Rs 8 lakh) such as Mazda MX-5 Miata and Chrysler PT Cruiser. In fact, in the sub-$50,000 (Rs 20 lakh) price line, one can get convertible versions of legendary brands such as Ford Mustang, Mini Cooper, and Porsche Boxster. For the seriously wealthy, there are Rolls-Royce Phantom Drophead for $410,000 (Rs 1.64 crore), Lamborghini Murcielago for $270,000 (Rs 1.08 crore), and Ferrari F430 for $230,000 (Rs 90 lakh).

But owning a convertible requires not only wealth and passion for open driving, it also requires one to have a strong appetite for risk. Closing the roof and windows, even if they are electrically operated, every time you leave the car is a chore, and weather and vandals are hard to predict. Insurance companies negotiate hard, issuing policies for theft, damage, and even life and health insurance to those who drive convertibles. No surprise then, that companies pitch convertibles on lifestyle and luxury and not on functionality.

In India, all convertibles are imported so far, as so few of them are sold. But, it is worth wondering, wouldn't there be many buyers if there was a convertible Maruti 800 available for less than Rs 2 lakh. ■

Porsche Boxster (top) is an entry level luxury convertible while Lamborghini Gallardo Spyder is one of the most expensive

BROWSING

Pankaj Arora

Director, Protivit

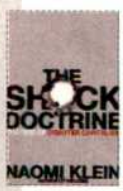
I am reading BARBARIANS AT THE GATE: THE FALL OF RJR NABISCO by BRYAN BURROUGH and John Helyar. The book, set in 1988, is about the leveraged buy out of RJR Nabisco and is centred on its CEO, Ross Johnson. The amazing quality of this book is that while it is non-fiction, it has the intensity of a thriller.

Typically, I read books that have got good reviews or have been recommended by people with similar reading preferences. I like to read contemporary fiction as well as management books, but not self-help books. ■

ALERT

THE SHOCK DOCTRINE

By Naomi Klien (Penguin)



Naomi Klein, author of *No Logo*, writes again on how the free market becomes a medium for businesses to exploit the common man in times of crises and disaster. She cites examples from major catastrophes across the world in the past few decades such as the seizure of destroyed fishing villages by resort developers after the Asian tsunami, the privatisation of New Orleans' public schools after Katrina among others. The author believes that market liberalisation has resulted in the creation of a 'disaster capitalism complex' of corporations that thrive on calamities ■

Flesh and

AVINASH CELESTINE

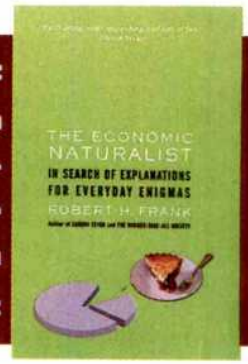
WHY does a light come on when you open the refrigerator but not when you open the freezer? Why do new luxury cars account for a higher proportion of automobiles sold in Singapore than in the United States even though average incomes are one-third of the US? Why is unemployment so much higher in Germany than in the US? Why is there so much mathematics in economics?

These are just a sample of the dozens of questions that pop up in Robert Frank's book, which grew out of an introductory economics course he taught undergraduates. Frank asked his students to apply the principles they had learnt in the course to pose questions (and answer them), about events or patterns of behaviour they had themselves observed.

The most interesting questions that his students asked, and answered, form the core of *The Economic Naturalist*. The result is often interesting, sometimes fascinating, and occasionally irritating.

This is how economics really should be taught, at least to those seeking their first taste of it. Economics is a *social* science — a real world subject whose workings can be seen all around us. Yet what is taught are abstract principles and mathematics. The result is often apathy and a burning desire to just get it all over with and pass the exam. Applying the concept of supply and demand to the world around us can make the subject suddenly appear less boring.

REVIEW



THE ECONOMIC NATURALIST

In Search of Explanations for Everyday Enigmas

By Robert H. Frank

Basic Books

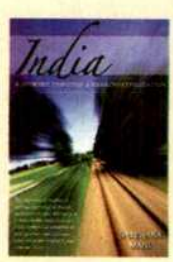
Pages: 226; Price: $26

For instance, why are DVDs sold in much larger packages than CDs even though the two types of disc are exactly the same size? Answer: The ancestor to the DVD was the VHS tape which

SELECTION

Tracking India's changes

I CANNOT pretend to understand the way Shashank Mani thinks. He is an IIT alumnus, extremely sentimental about India — of which he knows very little — and burning with passion to discover what makes it tick. So, he sets about collecting a motley crew of travellers and expends a lot of time and energy in badgering officialdom to give him a train that will take him across the country. It helps that he is the son of a politician and can get past bureaucratic stonewalling. So ultimately, he gets the train. That was in 1997, on the 50th anniversary of Independence.



The narrative of that 22-day trip has been published as *India: A Journey Through A Healing Civilisation* (HarperCollinsPublishers India). It leaves me completely foxed. Mani says the idea was to see the real India (mission statement of most tourists) yet the train touches mostly cities in its carefully drawn up itinerary; it seldom takes a branch line. The 200 people in the train lead a hothouse existence for the most part, eating, bathing and sleeping on board and leaving the train only to meet real people

blood economics

ROBERT H. FRANK is professor of management and economics at Cornell University's Johnson Graduate School of Management. He has won several awards such as the Apple Distinguished Teaching Award and the Leontief Prize for Advancing the Frontiers of Economic Thought and has written several books.

needed a certain size of display rack in the video store. When DVDs made an appearance, it made sense to make their packaging the same size as that of the VHS tape so the same rack could be used. In turn, it benefited consumers as well since they could store their new DVDs in the same sized shelves which they earlier used for VHS tapes. The same answer applies to CDs as well whose cases are half as wide as vinyl discs — thus two sets of CDs can be stored on the same rack earlier used for one vinyl disc.

Why are whales in danger of extinction, but not chickens? Answer: because whales are found in international waters where no one nation or international body, has rights of ownership and, thus, no one to protect them.

Since whales are vulnerable in this way, it makes sense for whalers to kill as many as they can without concern for the consequences, since they know that even if they show restraint others will not, and whales will become extinct anyway. There is little incentive to act responsibly.

The DVD example illustrates the simple principle (valid well beyond economics), that history matters. For a large chain to replace its display racks across all its stores is costly; it is much easier to use them again for the new technology. If VHS tapes were a different size, then DVD cases might be too. The whaling case is an example of the 'tragedy of the commons' — the fact that in the absence of well-defined property rights, a resource will be used up excessively and not economised on.

But these examples also illustrate the weaknesses of Frank's book. The extinction of whales may well be an example of the 'tragedy of the commons' but it can hardly be the only explanation. The fact that whales breed at a much slower rate than do chickens (an explanation which has little to do with economics per se) may well have something to do with it as well. Many of the questions posed here can be answered in more than one way, and to his credit, Frank posts the caveat at the beginning that this is certainly possible.

Many of the questions are overwhelmingly US-centric except for one section at the end. Others (ironically for a book which attempts to break out of the straitjacket of conventional economic teaching), are classic examples of economic imperialism — the attempt to apply economic principles to questions well outside the realms of the subject, often with underwhelming results.

For instance, why does a man, who is seen with a beautiful woman, suddenly seem attractive to other women? The answer given is signalling: the fact that a man can be seen to attract one good-looking woman indicates that there are certain qualities about him that others might find attractive as well. But then, do we *really* need to know the principles of economics to answer this question?

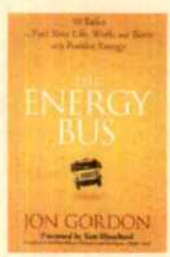
Too much should not be made of these criticisms. The book does achieve what it sets out to do: to make economics seem less boring and more relevant to the world around us. This alone makes it worth the read. ■

like Bunker Roy (he runs an NGO in Tillonia, Rajasthan), or others like Mark Tully formerly of BBC. For the rest of the time, the travellers discuss issues — corruption, democracy, entrepreneurship, population control, development models, etc. For Mani, his moments of epiphany come thick and fast. Among the most touching is his discovery that the non-English speaking *wallahs* can be rather articulate and have passionate views just like those Indians who have gone to fancy public schools and attended elite professional courses.

One ought to laud Mani's spirit of enterprise, I guess, but for the pleasure of meeting genuine people on a true journey of discovery pick up a copy of *Third Class Ticket* by Heather Wood if you can find it. ■

EX LIBRIS

On a high to work



WHY do more people die Monday mornings at 9 a.m. than at any other time? People who are beset with negativity would rather die than go to work, says Jon Gordon in *The Energy Bus* (John Wiley & Sons).

Negative energy can cripple companies and make employees less productive. Unfortunately, most companies don't estimate the lost productivity due to negativity, stress, low morale, and burnout of employees. There is a disconnect between the results employees are expected to deliver and the energy levels they possess to make things happen.

Gordon's book is about positive energy and how to use it at workplace and home. Through the 30-odd chapters the author explains 10 rules to manage life and work. These include: you are the driver of your bus; desire, vision and focus move your bus in the right direction; fuel your ride with positive energy; and invite people on your bus and share your vision for the road. Self-help books all read the same: the same advice, the same 'rules' for 'success' and the same narration. But Gordon tries to steers off the beaten path, and he succeeds — at least on the narrative front. ■

T.K. VINEETH

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Exp: 15-16
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Post: Strategic Application Engineer

Company: Maxim Integrated Circuit India Pvt. Ltd.
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Exp: 8-12
Location: Bangalore
Email: sajith.chomayil@maxim-ic.com

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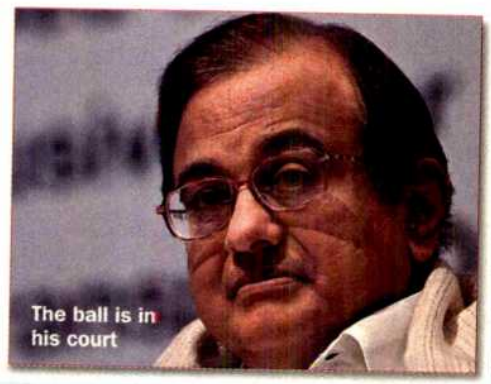
Clear-headed thinking

IT is well known that Reserve Bank loves micromanagement. It operates voluminous controls; even when it allows a transaction, it likes to set quantitative limits. Its conception of liberalisation is raising a limit by 10 per cent; removing the limit or deleting a control would strike it as too radical to contemplate.

This policy of comprehensive intervention has come under growing criticism as foreign exchange reserves have erupted. Liberalisation of the external account is widely seen as the obvious way of dealing with the embarrassment of riches. People also cannot understand why all the control-engendered hardships are necessary when we have bigger reserves than we know what to do with. The finance minister appointed the Percy Mistry Committee soon after taking charge with the remit of making Mumbai an international financial centre — which would hardly be possible without capital account convertibility. The Prime Minister, too, muttered about capital account convertibility when he was still new. There is, thus, inexorable pressure from ambitious politicians which Reserve Bank has to ward off. It is hard work in a patriotic cause which Reserve Bank continues even if it gets no thanks for it.

The government's fiscal indiscipline makes convertibility injudicious; we must live with capital account controls unless it reins itself



The ball is in his court

TRIBHUWAN SHARMA

In the early days, whenever Reserve Bank was pressed to make the rupee convertible, it appointed a committee under its own S. S. Tarapore. He has done it this service so often that it would be impossible to appoint yet another committee under him. But even though he has retired, he does not sleep when not chairing a committee. He has expressed his views on capital account convertibility in his typically no-nonsense, pithy manner.

He thinks that allowing the rupee to appreciate beyond fundamentals is sheer hara-kiri for which the country would pay dearly. The implications are clear: appreciation would widen the current account deficit until it becomes unsustainable. At that moment, foreign capital would run out in a panic, and India would experience a run on the currency, just like the East Asian meltdown of the late 1990s. Years of stagnation would follow. The only way to prevent appreciation is to buy foreign currency. That is what Tarapore favours. The only difference between what Reserve Bank has been doing and what he would do is that he would operate more in forward markets and less in spot markets.

Intervention in forward markets would enable Reserve Bank to time the impact of reserve accumulation or liquidity; but it cannot prevent a rise in banks' cash holdings. Tarapore would neutralise this rise by issuing more market stabilisation bonds. Reserve Bank issued some and then stopped; Tarapore thinks that their issue in ever increasing quantities is the right policy.

Issuing bonds to draw back money which Reserve Bank does not need looks unduly expensive; that is why Reserve Bank stopped further issue. If it wants a cheaper policy, Tarapore has one: raise banks' cash reserve ratio.

Reserve Bank tried that out too; but then it faced complaints from the banks that it was forcing them to hold cash that they did not need and on which they earned nothing. So, Reserve Bank began to pay them interest on excess cash reserves.

This, in Tarapore's view, would be a small price to pay; the alternative is appreciation with dire long-term effects. The government, in his view, did not carry out the fiscal correction that he regards as a precondition of capital account convertibility. Unless it does, the country has to bear with controls on the external account.

Unpalatable as many will find them, it is impossible to contest the logic of Tarapore's views. Reserve Bank has followed his advice by and large, but from time to time it has wavered. It tried out ad hoc relaxation of capital account controls, and for a while it let the exchange rate go, with the result that the rupee appreciated 10 per cent in a matter of weeks. Tarapore implicitly deplores such lack of resolution and opportunism. Given his logic, he is right.

If the country is to move towards capital account convertibility, the ball is in the North Block's court. Mr Chidambaram must bring down the fiscal deficit, and he must do so much faster than he has. It is easy, almost natural, for a politician to succumb to the temptation of spending more, especially when he thinks that such spending will buy votes. It may serve the interests of his party, but it is a disservice to the nation.

This is the time to reduce the deficit, and Mr Chidambaram must seize the opportunity. The economy is booming, revenues are buoyant, and all that deficit reduction requires is a little self-restraint. The finance minister should show that he can do it. ■

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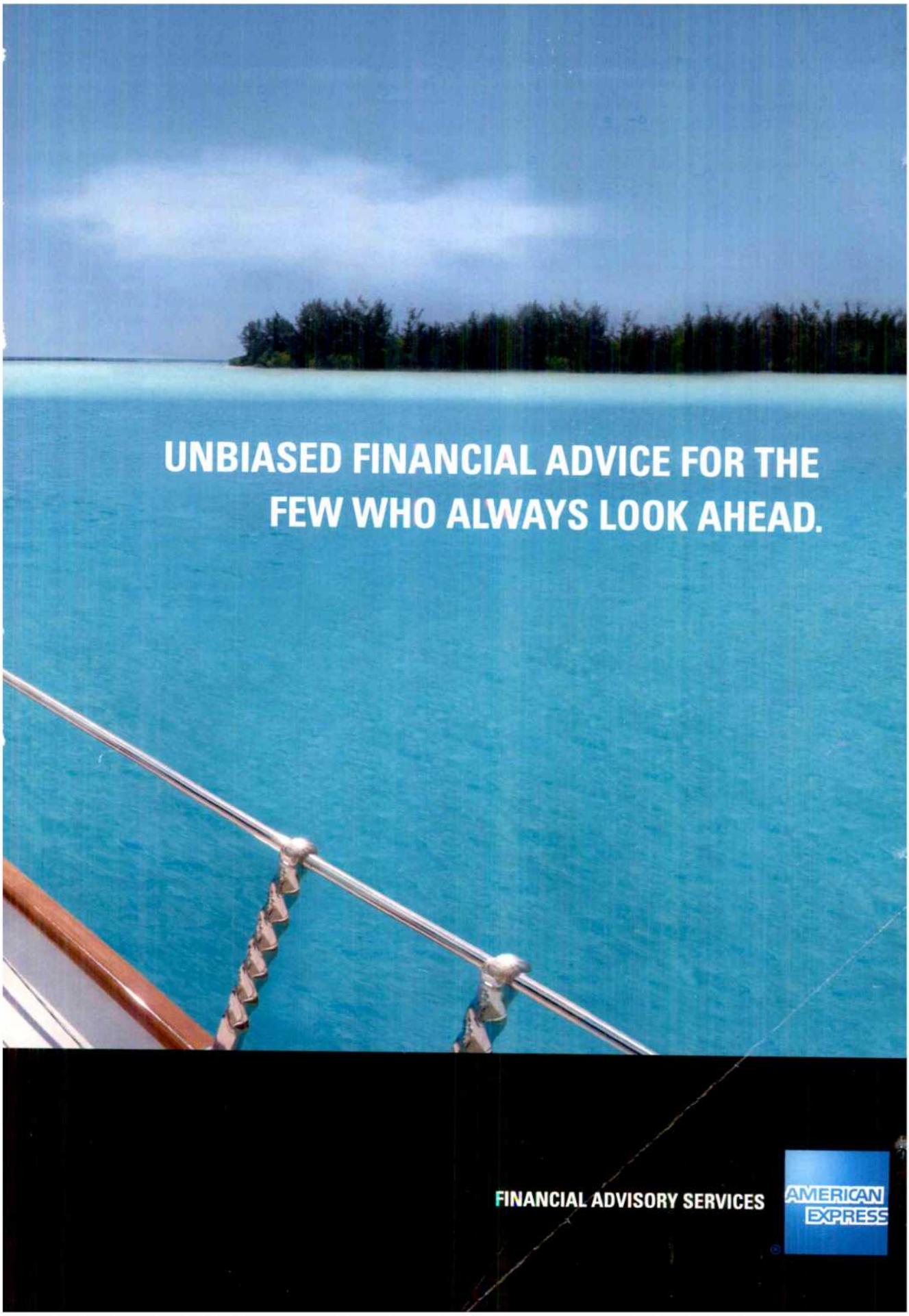
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Still to unfold

❑ Your cover story on mobile phones spawning a whole new eco-system, 'On the Go…' (*BW*, 29 October 2007), predicts a happy marriage of commerce and technology. The technological push is certainly going to give birth to a whole new commercial paradigm, which would render many existing retail and marketing practices obsolete even as it reinforces innovative business models. But it is yet to be seen what the implosion of retail space on 'the fourth screen' holds for the consumer and the industry. However, any liberal projection would anticipate a spoilt-for-choice consumer and bloating industry bottomlines.

Aasheesh Avasthi, *via e-mail*

WINNING LAURELS

Your interview with R.K. Pachauri (*BW*, 29 October 2007) was quite interesting and different from what other publications came out with. It is a proud moment for India. We, as a nation are yet to realise the value of research and scientists' contribution to the society in the long run. In most cases, it's only after international recognition or accolades that our government recognises these people and their efforts. Research powerhouses such as IISc, CSIR and ISRO are full of eminent people. It is time we woke up to their potential.
Saras Pal, *via e-mail*

VOUCHING FOR A FUTURE

Novel as it maybe, the concept of education vouchers as mentioned in your story, 'Not Enough To Vouch For' (*BW*, 29 October 2007) is a cause of great debate. Not only about the government shifting its focus from improving government school standards but also about the effects such a practice might have on the psychology of the children in question. The average child faces enough material competition. One can only imagine how much children from lower-income groups will be affected by this policy.
Divya Rai, *via e-mail*

NO ONE ON TOP

Your article 'The Head Hunt' (*BW*, 22 October 2007) highlighted the attrition rate at top floor of a firm. The reasons for it, however, are crystal clear. One being cultural differences and the other is the options available to experienced people, which definitely tempt them to move on to better things. The absence of experienced senior level personnel has compelled firms to groom their executives through training programmes and introduce them to more responsibilities, which will help them fill the lacuna.
Vineet Bhalla, *via e-mail*

The letters have been edited for brevity.

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in this issue

The Businessworld Most Respected Companies Survey 2007

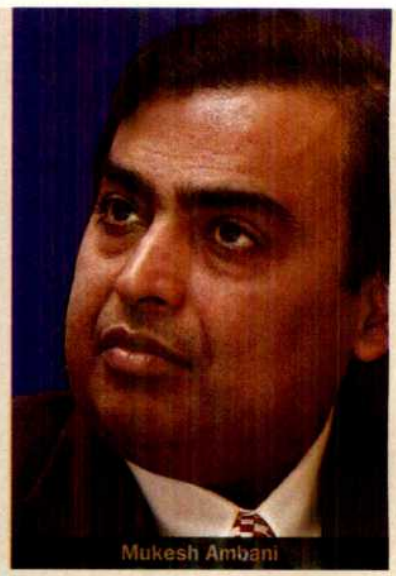
We give respect where it's due

COVER STORY 33

Celebrating Respect In India Inc.

N.R. Narayana Murthy

Sunil Mittal


Mukesh Ambani

Infosys tops *BW*-IMRB's peer ranking of India's Most Respected Companies for the third year in a row, followed by Bharti Airtel at No. 2 and Reliance Industries in the third slot. A big churn throws up a new top 10 order: Tata Steel springs into the big league, Wipro slides three rungs, Microsoft makes an impressive debut, and Hindustan Unilever is back with a bang. Many more tumbles and vaults inside...

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Respect is elusive and capricious. So why do companies try so hard to win it? The respect a company earns is the most comprehensive indicator of its overall performance and standing in the marketplace, the bourses and society.

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- **B-Schools:** Put all your queries regarding CAT to Siddharth Agrawal, the topper of CAT 2006.

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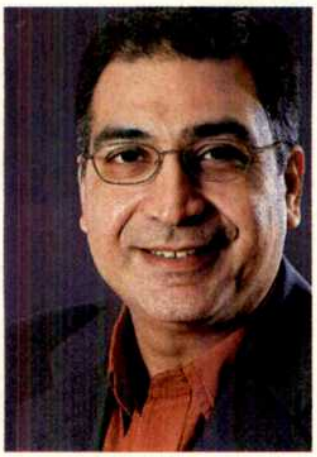
Letter from the editor



Jehangir S. Pocha, Editor

Dear reader,

The latest results of the *BW*-IMRB Most Respected Companies Survey reveal a fundamental shift in Indian thinking. Many millennia ago, the Katha Upanishad discoursed on death. The book began with the tale of a *rishi* who, angered by his son, Nachiketa, decided to punish the erring lad by gifting him to Yama as a servant. The God of death took a liking to the boy and granted him three boons. The boy, inquisitive as he was naughty, asked Yama to reveal the mystery of life and death, and it was Yama's explanation of the great cosmos that became the focus of the thousand-page long Katha Upanishad. Such intellectualism is undoubtedly one of the great facets of Indian civilisation. Interestingly, the Chinese have a different view of things. When Confucius was asked about death by a disciple, the sage's reply was as simple as it was stark: "When I don't even understand life how can I try to explain death?"

In recent decades, this startling difference in philosophical approaches is often used to explain the wide gap in China's and India's growth. Sharp Chinese pragmatism, it was said, would trump convoluted Indian intellectualism in the modern world. But as India's growth story has come to mirror China's, our country's values also appear to be undergoing a sea-change. Effectiveness and results are coming to be more valued in this country than they have ever been. Consider how the three Most Respected Companies of the year are Infosys, Bharti Airtel and Reliance Industries. While all three, particularly Infosys, have earned respect because of their altruism and leadership, that it is now performance that drives respect is evident from the fact that all three companies are also red-hot on most hardcore performance measures. On the other hand, Tata firms, which would generally be considered the most socially sensitive Indian companies, rank relatively low on the totem pole of respect.

This is not entirely a bad thing. India is a country in a hurry and eager for tangible success. It needs to be. Over the next 20 years, only a continued GDP growth rate of about 6-8 per cent will create enough jobs for the approximately 200 million people that will enter the workforce. And only continued economic growth will give India the global heft it needs to attract capital, resolve its bread-and-butter matters enough to focus on more human and quality-of-life issues, and gain a voice on the international stage. Portenders of India's moral doom may have a point when they rail against the amoral realism gripping the nation. But it is worth noting that based on performance alone it would probably have been Reliance Industries that would have been India's most respected firm. That this honour now goes to Infosys for the third year in a row underlines how India's innate rectitude is still alive, and how performance devoid of honesty and goodwill is still not good enough for many.

More importantly, Indian intellect is also responsible for driving much of India's growth, something Infosys is itself testament to. China's attempt to escape being the world's factory and turn itself into the world's laboratory is trailing India's own success in science and information technology-led industries. This is giving the country a respect China doesn't quite have. Building on this appropriately is the challenge before us, and over the next few years it is likely that the most respected companies in India will be those that make this dream a reality.

Contributing Editor Sumati Nagrath's piece on India's visually impaired photographers (page 118) is a moving example of how human accomplishments can exceed the wildest expectations. That the unseeing can create visual art just like the unhearing Beethoven wrote the most moving music reminds us that it is resolve, faith in oneself and a willingness to ask 'why not?' in the face of a million constraints that is truly worthy of our respect.

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CORPORATE DISCLOSURES

Bridging the divide

Companies may have to disclose much more information in quarterly results

INVESTOR INTEREST: Finance minister P. Chidambaram at the investors' meet

PTI

INDIAN companies have for long shied away from stepping up disclosures to investors and shareholders in their quarterly results. But finance minister P. Chidambaram may like to borrow a leaf from the regulatory regime in the US where companies present even condensed balance sheets while announcing performance every three months. He assured investors at a conference in New York last week that he would look into benchmarking the requirement on companies in India against those enforced in the US. If implemented, this would facilitate a more accurate valuation of Indian stocks. In response to an investor's demand for more information from Indian companies, Chidambaram said he agreed additional disclosures would lead to fairer valuations.

In the US, quarterly disclosures for listed companies emphasise reader-friendliness and are far more informative. The current rules of the US market regulator Securities and Exchange Commission require US-based companies to file Form 10Q, which covers condensed financial statements and other information needed for understanding quarterly results. This form has to be filed within 45 days a quarter ends.

If the finance minister walks the talk on this issue, Indian companies would have to include condensed balance sheets, income statements, cash flow statements and certain footnotes. Parts of Form 10Q are similar to the condensed financial statements under the Accounting Standard 25 in India.

If introduced here, this could include explaining the current quarter results vis-à-vis the corresponding quarter in the previous financial year. Explanations for critical accounting policies and estimates applied while preparing the financial statements may also have to be given.

As of now, the listing agreements of the stock exchanges in India require companies to provide only some such quarterly balance sheet related details. The disclosure for listed companies is limited to quarterly results primarily covering condensed profit and loss account and earnings per share.

One way of lifting Indian disclosure standards would be to amend the listing arrangements companies have with stock exchanges for filing requirements. "A company could keep publishing the results like it does, but asked to file additional information with stock exchanges along with the audit report or limited review report on the quarterly results," says Kalpesh Jain, a senior professional with Ernst & Young.

While the additional disclosures will help investors understand the company's results in the context of the market risk it faces, the procedures are unlikely to be too time consuming for companies. They compile the information anyway while preparing the financial statements. ■

PUJA MEHRA

REUTERS

"We don't have an unlimited amount of time."

Nicholas Burns, US Undersecretary of State for Political Affairs, responding to the news that the UPA-Left panel has postponed any decision on the Indo-US nuclear deal until another meeting on 16 November.

HEDGE FUNDS

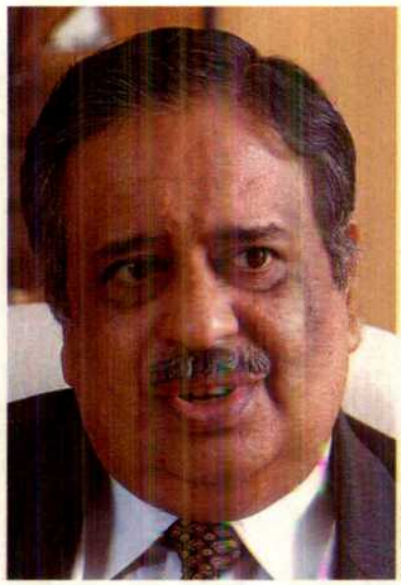
Calling their bluff

IS it a bluff? And, will it be called? Only time, markets and the regulator can tell. But a powerful coalition of hedge funds has threatened to pull out funds from Indian shares and derivatives if the Securities and Exchange Board of India planned to shackle foreign portfolio investors.

Managed Funds Association, a Washington-based organisation that describes itself as the voice of the global alternative investment industry, wrote to Sebi on 19 October that India would be shut to a substantial pool of investors if measures proposed in its discussion paper of 16 October are implemented. Sebi, however, stood its ground and on Thursday, its board cleared the 17 October proposal putting restrictions on foreign investors using participatory notes (PNs), a popular instrument that allows FIIs and their sub-accounts to take positions in the Indian market without revealing their identity.

"Given that ODIs (offshore derivative instruments or PNs) represent for many institutional investors the sole means by which they can invest in India's capital markets, these proposals will not only restrict them from making further such investments but will also require them to terminate and withdraw existing investments from India (in many cases prior to maturity) and reallocate them to other markets," MFA President John G. Gaine wrote.

He warned that the measures would lead to greater, rather than diminished, market instability and inefficiency.



SANJIT KUNDU

BRAVING THREATS: The Sebi board on 25 October cleared restrictions on PNs

"The losses associated with unanticipated early termination of transactions of this kind are likely to be significant and will greatly compromise the legal and regulatory certainty perceived by investors in respect of future Indian investment. In addition, such terminations could result in unintended price fluctuations in exchange-traded instruments as FIIs terminate and unwind their underlying positions," Gaine said in the terse letter.

His letter also suggested that restrictions on indirect investment should be accompanied by a corresponding facilitation of direct investment such as a quick FII registration process. However, Gaine warned that if curbs are put abruptly they could result in "major market dislocation and a rapid reallocation of capital to jurisdictions with more certain and flexible regulatory regimes".

MFA members represent a vast majority of the largest hedge fund groups in the world who manage a substantial portion of the over $1.67 trillion invested in absolute return strategies.

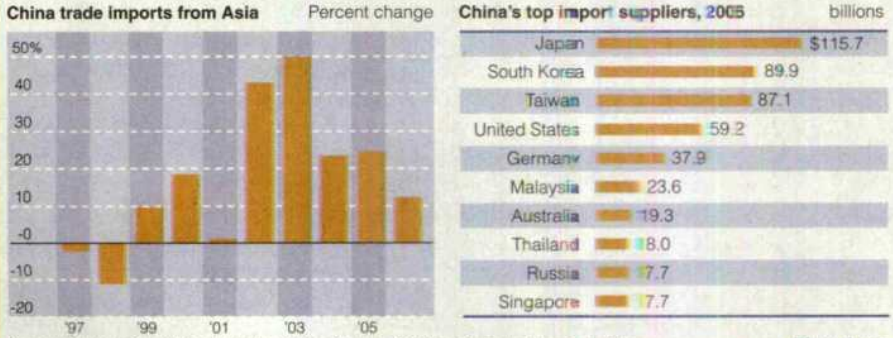
The regulator, however, seems determined to tighten the screws, one way or the other. Sebi chief M. Damodaran was quoted in a newspaper on 23 October as saying that he was preparing to take to task FIIs that he believed were responsible for the biggest intra-day stock market crash in the country's history.

"... I can tell you who caused the fall on the day (17 October) in the first four hours when the market was hugely positive. And then suddenly all hell broke loose. We know them. Those notices will go out shortly," Damodaran said. ■

DINESH NARAYANAN

China's Asian Import Partners Brace For Slower Growth

China's import growth rate from its closest neighbors is declining as the nation's manufacturers make more goods previously bought from abroad. Countries that stand to lose out from decreased trade, such as Malaysia, Singapore, South Korea and Taiwan are expected to have weaker economic growth next year.



Sources: Customs General Administration, China's Customs Statistics, International Monetary Func

Bloomberg

Paulson joins the PN debate

US Treasury Secretary Henry Paulson has urged India to avoid placing controls on international investment. "Administrative restrictions on capital flows can have unintended consequences; they tend to inhibit efficiency and lose their effectiveness over time." Paulson is visiting India on 28 October. ■

TATA REALTY & INFRASTRUCTURE

Lure of logistics

BLOOMBERG

STOCKED UP: Big corporates are increasingly taking to the lucrative logistics biz

INDIA'S booming organised retail trade is now attracting big moolah and bigger players. Large corporate groups are seeing huge business potential in providing specialised warehousing facilities to the retail giants. Tata Realty & Infrastructure, the infrastructure development arm of the Tata group, is the latest big-ticket entrant. The company, which is setting up a $1-billion offshore real estate fund, is now ready to roll out a chain of business and logistics parks across India.

The other big players eyeing a part of the business include GE Equipment Services, an arm of GE and Reliance Logistics, part of Mukesh Ambani's Reliance Industries. While GE hopes to build over a dozen parks for Indian Railways across the country, Reliance Logistics, with revenue of $400 million in 2006-07, now plans to cater to the logistics needs of other companies besides its own group firms.

Tata Realty & Infrastructure is likely to set up the logistics parks in Mumbai, Bangalore, Delhi and Chennai, Hyderabad and Nagpur in the first phase. "At present, land aggregation for putting up these parks is underway in Mumbai, Delhi, Bangalore and Chennai," says a source. The company may also leverage land and warehouses owned by other companies in the group for this foray. These parks will house specialised warehousing facilities, cold storages and bulk storage with humidity control.

Earlier this year, Tata Realty and Infrastructure, a subsidiary of Tata Sons had signed a memorandum of understanding with Dubai-based Jafza International — a sister concern of DP World — to set up a joint venture company that would develop and operate these logistics parks. Jafza International manages seven such mega facilities in four countries while the group operates the Jebel Ali Free Zone, Dubai Auto Zone and Techno Park, amongst others.

Confirming the development, Tata Realty & Infrastructure's CEO Dinesh Chandiok says, "We are seriously looking at several locations for setting up the logistics parks especially in major metros." But he refuses to divulge if the company has signed up any particular project. "We hope to make some announcements in six weeks."

The proposed joint venture company hopes to acquire land with basic infrastructure. The size and amount of investment of these businesses and logistics parks are not yet known. ■

PIYA SINGH

HOARDINGS

Altering the landscape

AFTER a decade of deliberations the matter has finally been settled. On 12 October the Supreme Court approved the new advertising policy of Municipal Corporation of Delhi (MCD). In 1997, the apex court had banned hoardings on Delhi roads on the grounds that they were hazardous and compromised the safety of road users. The decision led to a significant loss of revenues for the MCD.

Drafted by the MCD in July and submitted to the court on 14 September, the new advertising policy marries commercial interests with concerns over safety and aesthetics. It is estimated that the implementation of the new policy will generate annual revenues of Rs 400 crore, a significant increase from the current Rs 40 crore.

To ensure safety of commuters, the new policy bans hoardings and billboards along all arterial stretches as well as house top hoardings in residential areas and stipulates that no billboards and unipoles be placed within 50 metres of any traffic junction or intersection.

Meanwhile, the policy has allowed advertising on public and private commercial vehicles such as buses and taxis. It also encourages utility-based advertising to ensure that as far as possible advertising blends in seamlessly with the city's landscape.

"The policy reduces the clutter of hoardings, automatically increasing the impact of advertising," says Vineet Mahajan, creative director of Contract Delhi. "This makes my task easier." ■

SUMATI NAGRATH

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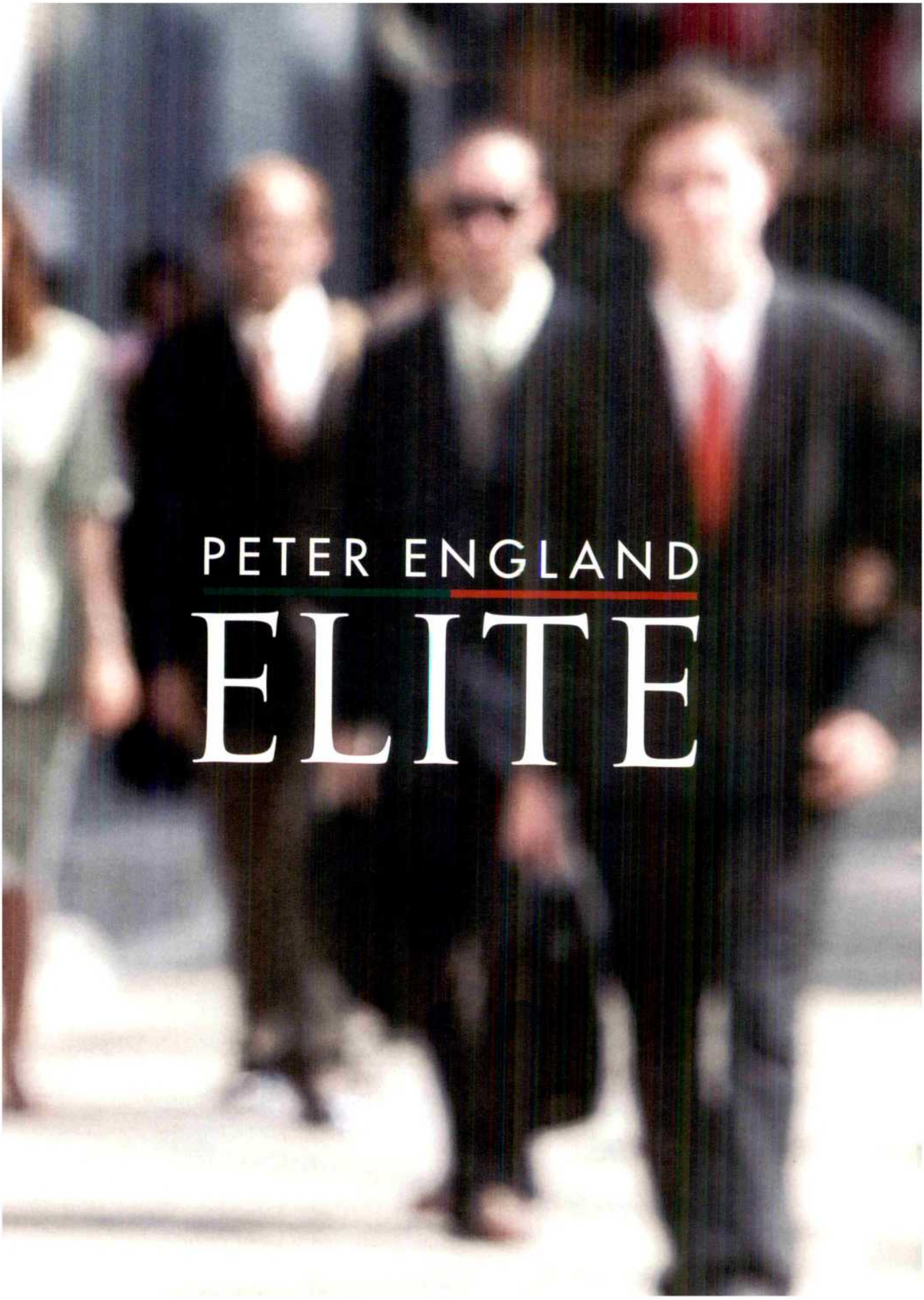
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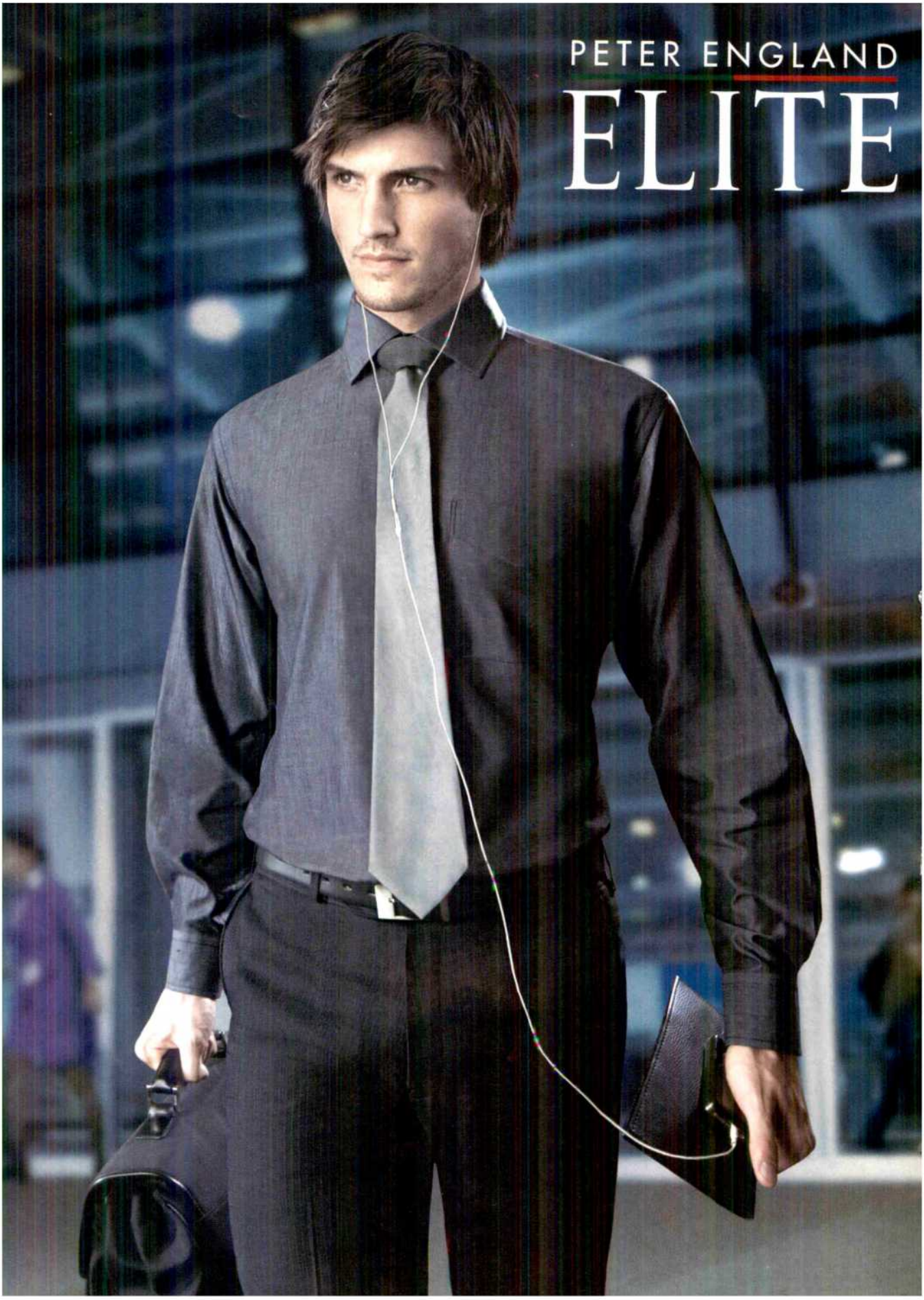
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GAMMON INDIA

Buyback ahead of IPO

IT'S almost a practice with Indian owners to sell a slice of their companies to arrive at a benchmark valuation before tapping the primary market. But Abhijit Rajan of Gammon India thinks differently.

Gammon India, which laid the readymade concrete pile foundation for the Gateway of India in 1920, has bought back 3.5 per cent stake in its subsidiary Gammon Infrastructure Projects (GIPL) for Rs 70 crore from Ochziff, a US-based private equity fund. In a year, the US fund's investment in GIPL more than doubled in valuation. A year ago, Ochziff shelled out Rs 112 crore for 12.5 per cent in GIPL, valuing the company at Rs 900 crore. Now, it raked in Rs 70 crore by selling just 3.5 per cent, and in the process valuing the company at Rs 2,000 crore.

For Gammon India, the timing could not have been better to show confidence in its new subsidiary ahead of a public offer. The subsidiary has won contracts worth Rs 4,550 crore to build roads, ports and power plants. A holding company of Gammon India, GIPL was floated a year ago to execute infrastructure projects under a special purpose vehicle. It has now filed its primary prospectus with Sebi for approval.

The deal, in one way, reflects the current bullishness in infrastructure companies that not long ago had to run pillar to post for funding. Tolls, securitisation, and state and central schemes offering fixed revenue every year to cover the project cost and bonus for early completion of projects, had made these projects attractive. The government's decision to double its infrastructure spending between 2007 and 2011 could trigger the next upside in this sector. ■

BAIJU KALESH

RBI

Status quo, for now

AFP

DISAPPOINTING: The RBI's paper on differentiated bank licensing offers nothing

THE Reserve Bank of India's (RBI) technical paper on differentiated bank licenses has turned out to be a damp squib. The central bank had raised the hopes of many bankers and prospective entrants to the sector when it said in April that a graded approach of licensing — equally applicable to both domestic and foreign banks — may be appropriate. This, it said, would help direct the resources of banks to their niche areas and also sustain efficiency in the banking system.

The just-released paper goes over the bank licensing territory in India, but fails to add incrementally to the debate. It notes that India issues a single class of banking licence to foreign banks and does not place any limitations on their operations. And all banks can carry on both retail and wholesale banking. Deposit insurance cover is uniformly available to all foreign banks at a non-discriminatory rate of premium.

Furthermore, compared with India's commitment to let foreign banks set up 12 branch licenses every year, the RBI allows 17-18 branches. Off-site ATMs are not counted in the above limit. It also follows a liberal policy when branches are sought to be opened in unbanked and under-banked areas. Foreign banks have 273 branches and 660 offsite ATMs as on October 15, 2007.

Much more was expected given the fact that RBI's own roadmap for foreign banks had suggested it would review the issue of operational freedoms post 2009. The paper goes over the pros and cons of differentiated licenses, but at the end calls for a status quo.

It concludes in typical bureaucratese: "...it is necessary that all banks should offer certain minimum services to all customers, while they may be allowed sufficient freedom to function according to their own business models. Thus, it will be prudent to continue the existing system for the time being". ■

RAGHU MOHAN

200,000 The number of new users social networking site **Facebook** adds each day

FBT ON ESOPS

Marginal clarity

TRIBHUWAN SHARMA

THE CONFUSION PREVAILS: The new norms for fringe benefit tax haven't clarified the grey areas

THE rules issued by the government for determining the value of employee stock option plans (Esops) for the calculation of fringe benefit tax (FBT) to be paid by employees are of little help. This is especially true of Esops in unlisted companies and those listed overseas.

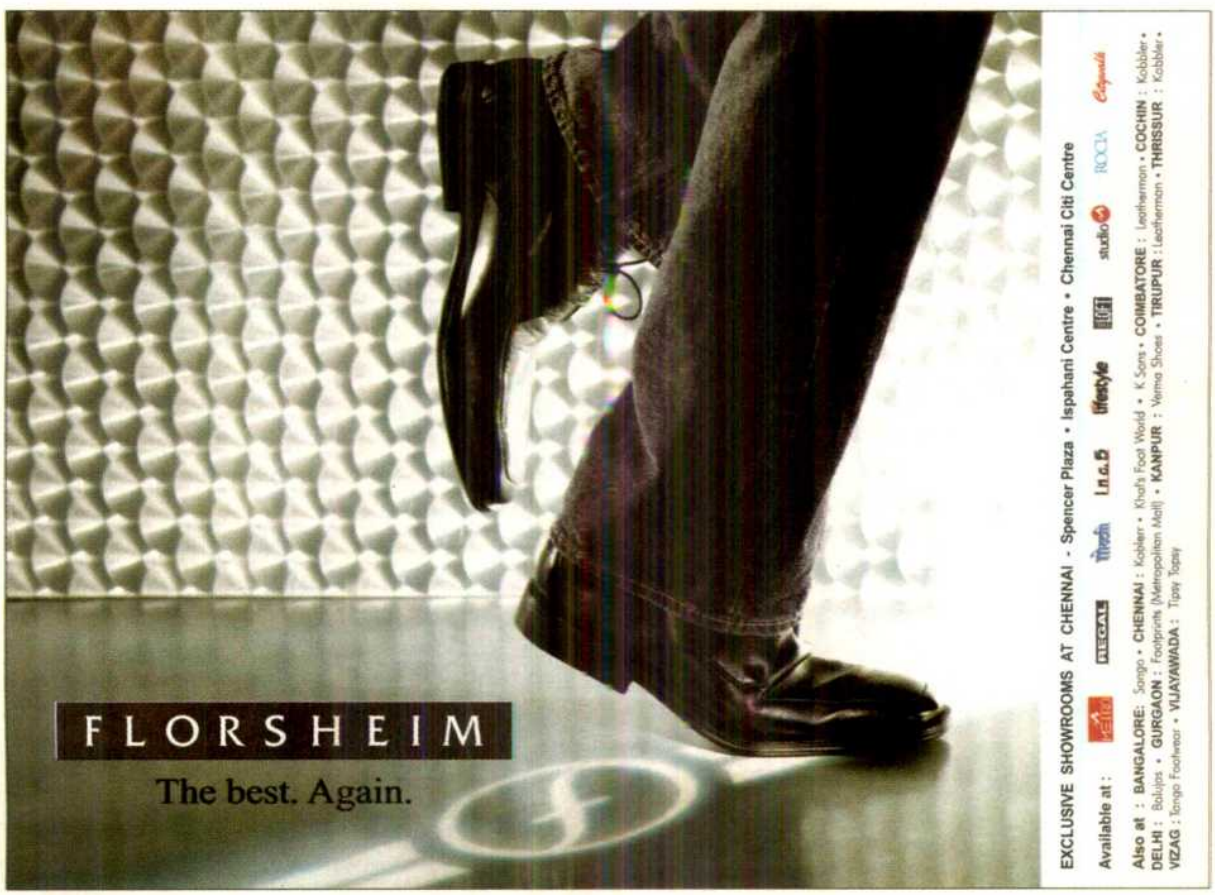
According to the rules, if on the date of vesting of options, the share is not listed on a stock exchange, the value of the Esops it has issued for the calculation of the tax payable will have to be obtained from a Sebi-registered merchant banker. No valuation method has been prescribed. The tax is paid at 30 per cent on the fringe benefit, which is the difference between the value of the underlying share on the date of vesting the Esop and the price paid by the employee for it.

Esops in companies whose shares are listed overseas, too, will need merchant bankers-determined valuations. That is because the rules limit the definition of stock exchanges to cover only those recognised by the central government which excludes the ones overseas. "We are not sure whether the distinction in treatment between Indian and overseas listed companies is intended or an oversight," says an Ernst & Young Tax Alert on the rules.

For the listed stocks, the valuation would be the average of the opening and closing sale price of the share on the vesting date. For shares listed on more than one stock exchanges, the highest price is to be used.

Companies would now have to begin computing the FBT liability for options exercised on or after 1 April. The due date for the payment of the first instalment of the FBT on Esops has been extended to 15 December. Rules or no rules, the confusion remains. ■

PUJA MEHRA



M&A Keep pace with the latest news and deals in the Indian and Asian merger and acquisition markets with the *BW* fortnightly M&A Tracker

Skimming the top

PRIVATE equity funds are quietly gobbling up Indian medium-size companies that are on a growth path. In August, Blackstone, the world's second-largest private equity fund, bought a controlling stake in Bangalore-based cloth maker Gokaldas Exports. More recently, it has acquired a substantial stake in Nagarjuna Constructions, that has Rs 2,000 crore orders to execute.

On 17 September, Blackstone's rival Goldman Sachs acquired a 51 per cent stake for $172 million in Sigma Electric. The North Carolina-based company, founded by Sajjan Agarwal in 1982, is a low-cost manufacturer of cast metal parts and assemblies for electricals, utility, durable goods and transportation markets with sales in the US and Europe.

These acquisitions reveal that private equity investors are bullish on Indian companies that can grow vigorously in India (Nagarjuna Constructions) and ones that can meet global demand (Gokaldas and Sigma Electric).

Nagarjuna's logic was to lock up capital to fund its future projects and boost its net worth to bid for big projects abroad while, both Sigma and Gokaldas chose to exit rather than take pains to build the companies to a global size that consumes more money and time.

Agarwal chose to encash now rather than betting heavy capital to grow it. In just a quarter of a century, Sigma Electric became the preferred component supplier to big utility companies such as North American transmission and distribution company, ABB, Delphi and General Electric.

BLOOMBERG

LIGHTING UP: Global PE companies are bullish on India

Goldman Sachs got a company with a well-oiled supply-chain management where it would make components in Pune and Jaipur and supply its 1,500 products to the overseas market through its distribution warehouse in Garner, North Carolina.

Back home, Sigma may have to ramp up its capacity to meet the demand of the Rs 50,000-crore electrical equipment industry that is slated to rise with huge investments in power projects. ■

BAIJU KALESH

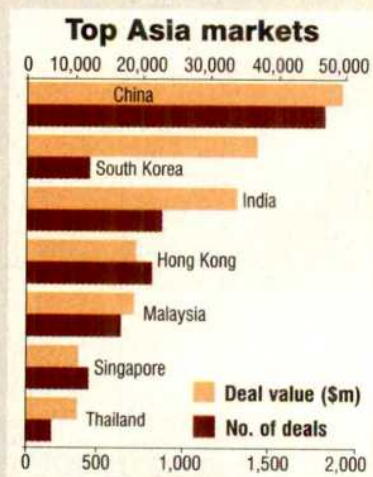
BW-Thomson Financial M&A Tracker

November The Asian M&A market saw 5,792 deals worth $255.07 billion as on 10 October 2007. China was the largest market in the region with 1,862 deals worth $54.76 billion. South Korea was the second largest market.

Top 10 Asia deals

TARGET	TARGET NATION	ACQUIRER	ACQUIRER NATION	DEAL SIZE ($m)
Midwest Corp	Australia	Murchison Metals	Australia	918.65
Qinghai Salt Lake Potash Co.	China	Sinochem Fertilizer Co.	China	897.84
Chembulk Tankers	US	Asean Maritime Corp.	Malaysia	850.00
Dong Ah Construction	South Korea	Prime Group	South Korea	740.38
Galaxy Ent. Grp	Hong Kong	Permira Advisers	UK	716.96
TransAlta Power	Canada	Cheung Kong Infrastructure	Hong Kong	645.39
Beijing Wanlian Tianda RE Dvlp	China	Sichuan Huiyuan Optical Comm.	China	569.25
Zhuhai City Qi Zhou Island	China	Neo-China Group (Holdings)	Hong Kong	413.61
Shenzhen Shen Guang Hui	China	Yiwan Industry Development	China	354.57
Aretae Pte	Singapore	Oculus	Singapore	331.15

Figures for 7 October-20 October 2007



Figures for 1 January-22 October 2007

Expanding horizons

ENGINEERING major Larsen & Toubro's (L&T's) buyout of Malaysia-based Tamco Switchgear has given it an entry into the global medium voltage (MV) switchgear market. Besides adding about $100 million to L&T's electrical and electronics (EBG) business, the 378-million-ringgit ($112-million) deal will help the company expand in West Asia.

Tamco is a major player in MV switchgear in West Asia and Malaysia, which account for over 50 per cent of its revenue. L&T has a presence in utilities, while the $102 million Tamco sells mostly to the oil and gas sector in West Asia. "We would gain exclusivity over the Tamco brand in a year," says R.N. Mukhija, president of operations at L&T. Post acquisition, L&T would bring Tamco's products to India and expand its business by 10 per cent within a year. China and Indonesia will be their next major business opportunity.

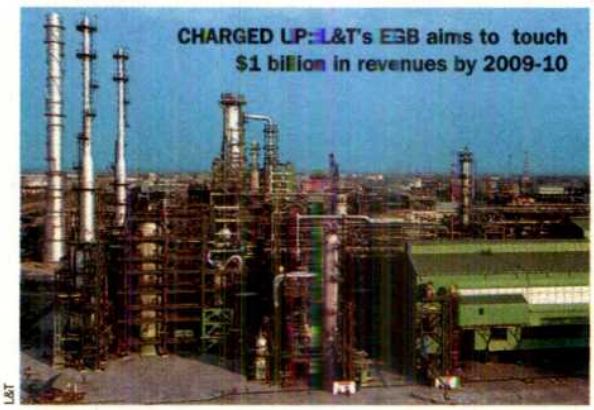
The acquisition will also enable L&T to make a foray in the Rs 1,500 crore-MV switchgear market in India. The company is the market leader in low voltage (LV) switchgears. The valuation — roughly 1:1 on revenue basis — is attractive since it would have taken L&T a long time to establish itself in a new segment overseas.

The domestic MV switchgear market is growing at 15 per cent a year and the company expects this to increase in the next five years given the focus on the fast-tracked incremental power generation programme.

EBG accounts for 10 per cent of L&T's $5-billion revenue and has been one of the fastest growing segments logging a compounded annual growth rate of 26 per cent in the past three years. Incidentally, the company expanded its presence to building electrical (segment in LV switchgears) with the acquisition of Datar Switchgear in 2005.

The company aims to touch $1 billion in revenue from the segment by 2009-10. "In each business, we are looking at possibilities of inorganic growth," says Mukhija. "But we need proper targets." ■

M. ALLIRAJAN



CHARGED UP: L&T's EBG aims to touch $1 billion in revenues by 2009-10

L&T

For feedback and comments, write in to dealtracker@bworldmail.com

India financial advisory rankings

Figures for 1 January-22 October 2007

Top 10 India deals

TARGET	ACQUIRER	DEAL SIZE ($m)
Sigma Electric	Goldman Sachs Group	172.00
Tamco Switchgear Malaysia	Larsen & Toubro	112.17
Kyowa Pharm Ind Co.	Lupin	85.38
LNJ Apparel	Bombay Rayon Fashions	64.60
FA Corp.	Quintegra Solutions	49.00
HDFC Asset Management Co.	HDFC	46.20
SVIL Mines	Citigroup Venture Capital Intl	38.17
J&B Software	3i Infotech	25.25
Faseco India	Cookson Group	13.65
President Group of Hotels	Lemon Tree Hotels	10.19

Figures for 7 October-20 October 2007

League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Note: Figures are based on ultimate parentage, meaning than an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date.

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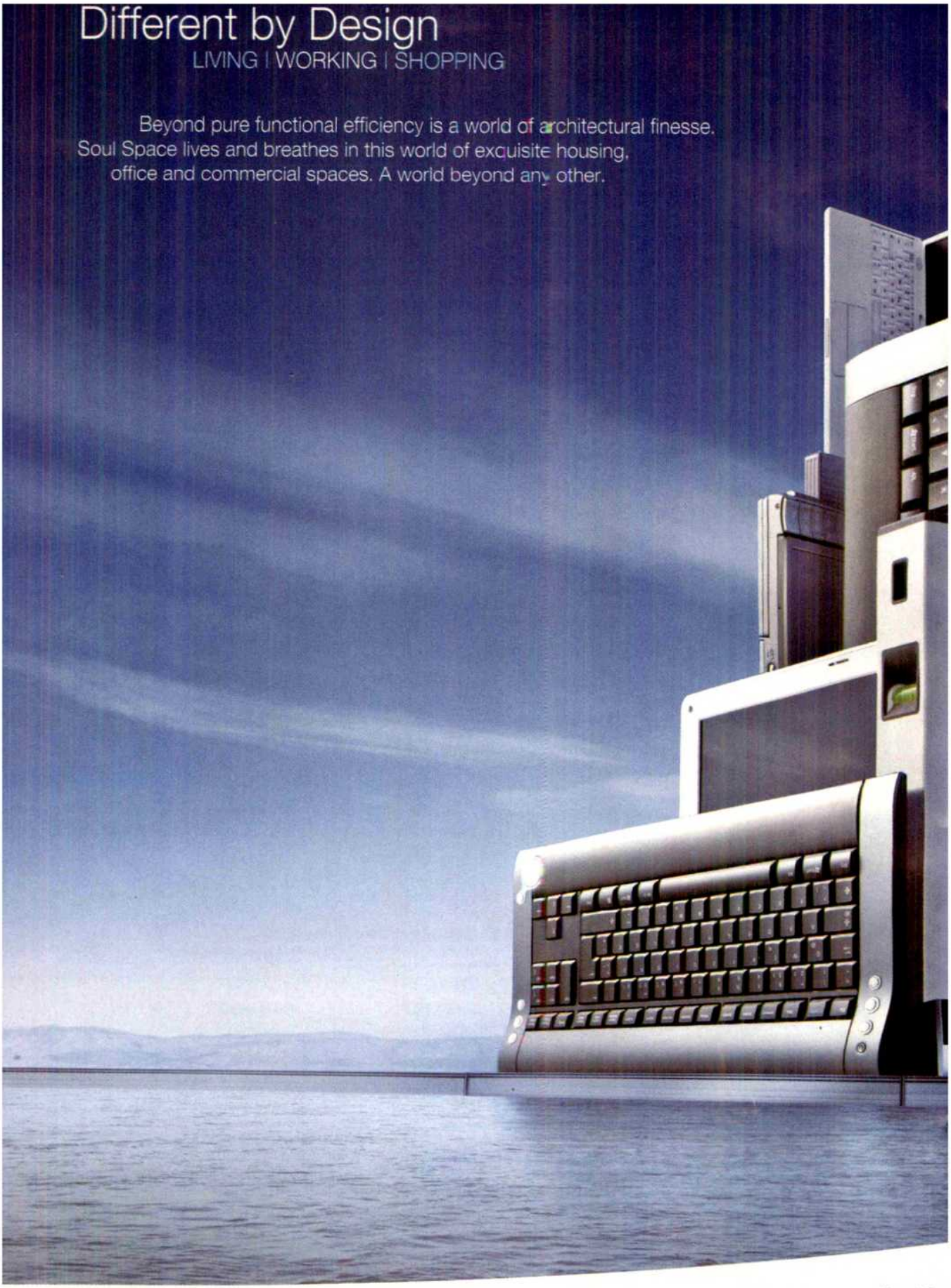
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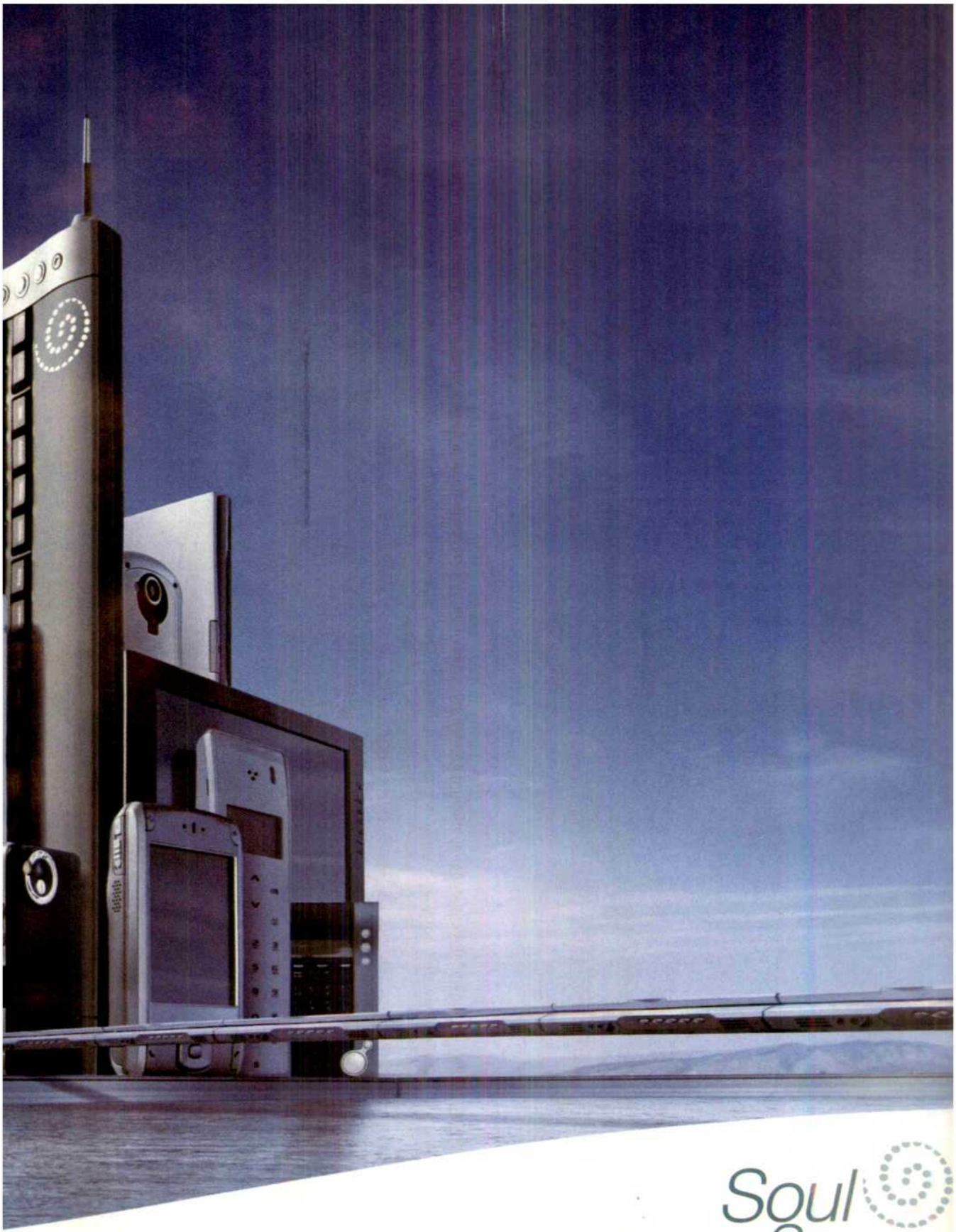

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CRASH & BURN: Poor performance may end Mallya's Team Force India's race even before it starts

REUTERS

FORMULA 1

Racing against odds

VIJAY Mallya's penchant for high life and fast cars is all too well known. His yacht party in Monaco this year was considered the best of the season. Kingfisher Airlines also has a multi-year sponsorship deal with the Toyota team and Mallya is personally leading efforts to bring a Formula 1 (F1) race to India before 2010.

To satiate his appetite further, Mallya recently bought the Spyker F1 team together with its director Michiel Mol, for about $120 million. "To have an Indian team on the grid will attract far more interest from the Indian fans," Mallya told the press in Sao Paulo, where he announced that Spyker would now be called Team 'Force India'. But his hopes of creating a big splash with millions of potential Indian fans may not succeed.

Mallya's acquisition of Spyker is the team's fourth management change in as many years. It is not hard to see why. In 2005, when it was called Jordan-Toyota, the team scored only 12 points in the whole season. Eleven of these came from the US Grand Prix, where seven of the 10 teams refused to race over concerns about tyre safety.

In the 2006 season, Jordan was bought over by a Russian tycoon and renamed Midland. Failing to win even a single point, Midland was sold to Spyker mid-season. As Spyker, the team has won one point, with driver Adrian Sutil finishing eighth in the 2007 Japanese Grand Prix. Mallya is keen to retain Sutil for the 2008 season, but the second driver's slot is open. It is unlikely to be filled by Narain Karthikeyan who raced for Jordan in 2005. The 30-year old is middle-aged as far as F1 is concerned and his performance in the rival A1 Grand Prix series is far from encouraging.

Another challenge Mallya faces is attracting team sponsors. With an Indian Grand Prix still up in the air, local companies may decide to wait before burning mega bucks on advertising. With the top teams spending hundreds of millions of dollars each season, Force India might end up as a big, fat white elephant for its new owner. ■

PIERRE MARIO FITTER

RAILWAYS

Getting the maths right

THE Railway ministry is unhappy with the way Japan Bank for International Cooperation (JBIC) has estimated the cost of the dedicated rail freight corridor. In its recently concluded survey of the two arms of the corridor, (Delhi-Mumbai and Delhi-Howrah), the multi-lateral institution has estimated the cost to be Rs 50,000 crore, double of what the Railways has projected.

"JBIC calculations are wrong," says a Railway Board member. He says that the Bank has added the cost of rolling stock — locomotives and wagons — to the construction cost. He says that such investments are not included in the cost of building a new line since it is presumed that Railways will itself provide the wagons and locomotives. The official, however, admits that there is a cost escalation of nearly Rs 10,000 crore, which means the cost of the first phase of the freight corridor will be Rs 36,000 crore.

Ministry officials say that given the escalation, the Railways will have to look at other multi-lateral institutions besides JBIC to fund the project. "Even though we have a surplus of about Rs 20,000 crore, it cannot be completely used for the corridor, as we have a huge backlog of other projects too," says an official.

The Railways is yet to finalise the loan from JBIC following differences in the cost estimates and the terms of the loan. JBIC generally gives concessional loans, provided that Japanese companies supply the equipment. However, the Railways is already setting up a locomotive and wagon manufacturing plant in Bihar for churning out rolling stock specifically for the freight corridor. ■

VISHAKA ZADOO

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comment

by omkar goswami

The author is the founder of CERG Advisory that specialises in corporate consulting and economic advisory services. He can be reached at omkar.goswami@cergindia.com.

On Achilles Heel and Trojan Horses

IN my previous allegorical article on the UPA-Left Front nuclear impasse ('And The End is Nigh'), I had written, "Now a divorce is on the cards... Should she [the much abused UPA wife] wait for the husband [the Left Front] to humiliate her yet again before he leaves the household that he did nothing for? Or be a modern Indian woman, call the shots, and throw the man out?" I thought that after upping the ante the way it did, Congress wouldn't blink.

How wrong I was. After huffing and puffing about the non-negotiability of the deal and how those who opposed it prevented progress, the Congress capitulated without a whimper. Within 24 hours, both Sonia Gandhi and Manmohan Singh claimed that the deal was not a make or break for the nation; that the coalition dharma came first; that governance was not about getting your way with a single-point agenda. Life will go on, they said. You lose a battle to win a war, said their all-knowing supporters, desperate to claim tactical prescience in the face of a rout.

The fact is that the Congress, Manmohan Singh and Sonia Gandhi have got egg on their faces. They were polite. The Left didn't budge. They tried statesmanship. The Left was unmoved. They growled. And the Left bit. Having won, the Left didn't gloat. It merely exuded the body language of an inevitable winner with the eminent grise Jyoti Basu saying, "Now that good sense has prevailed upon the Congress, the matter is over. The coalition will continue for the full term."

It wasn't a tactical retreat. It was a rout — of the vacillators being overwhelmed by the united might of the immovables.

In hindsight, there were three major miscalculations. First, the implicit assumption that somehow the Left would blink. It was a poor premise. The deal was a 'No-No' for the Left, and everyone knew that. True, the Left didn't want a mid-term election; but that wasn't going to make them agree to the deal. It had to be scuppered, irrespective of consequences.

Second, I suspect that neither Mr Singh nor Ms Gandhi fully appreciated the fickleness of the UPA allies. In today's politics, it is naïve to believe that if a coalition Cabinet agrees to something, then each Cabinet minister bears collective responsibility of that decision. On more than one occasion we have seen the notion of collective Cabinet responsibility being thrown by the wayside. In crunch time, especially on what was becoming a decision that would inevitably lead to mid-term elections, how could one expect fair weather friends to stick to such unnatural Westminster-like niceties?

Third, there were miscalculations regarding even the Congress MPs. Few, if any, had the gumption to accept a consequential mid-term poll. They couldn't say it boldly to the Supreme Leader. But over time, and as the Left's position hardened, their frightening murmurs got too loud to be ignored.

Shorn of niceties, coalition dharma is nothing other than a series of Faustian pacts. And as we all know, only the Devil wins in a Faustian pact. A coalition made up of many Achilles heels (the Congress MPs) and Trojan horses (others of the UPA) should not look to the Left to apportion blame. Which brings me to a joke whose punch-line can only be in Hindi.

A Jalandhar sardar made tonnes of money, and decided to go on his first 'phoren' holiday. He bought a British Airways First Class ticket to (where else?) London. As he sat down he saw a parrot on the next seat, by the aisle. After the plane took off, the parrot repeatedly pecked the stewardess' bottom; for which it would get friendly pats on the head. The sardar decided if the parrot, why not him? He pinched. And hell broke loose. The crew, the captain and the passengers decided to throw him out of the place, 30,000 feet up. As the sardar was about to be pushed out, the parrot piped up, "Sardar, *tum urh sakte ho?*". *"Nahin!"* wailed the quivering sardar. *"Phir panga kyon liya?"* asked the parrot, cackling away. Apt, isn't it? ■

Confucius says, "Don't act tough, if you have to blink first and back off"

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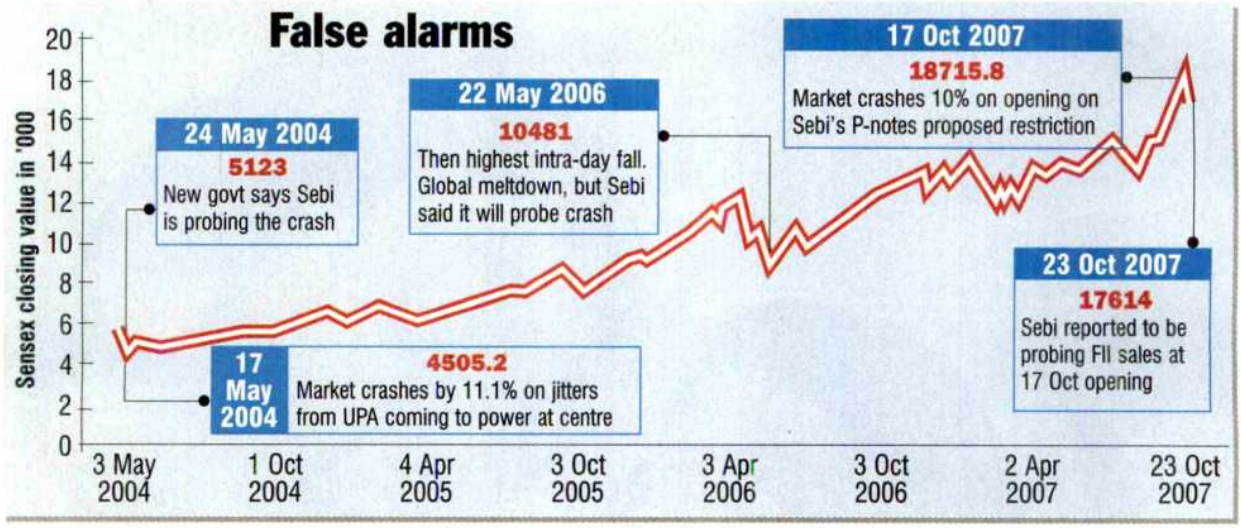
Helter skelter



Source: *BW* research

RAJESH GAJRA

The markets yo-yoed the whole of last week, more because of confusing signals emanating from the regulator and the finance ministry

THERE is nothing unusual about volatility in stockmarkets. But if sharp fluctuations are regulator-induced, then it speaks little of market stability, an aspect the government and Sebi never miss to highlight.

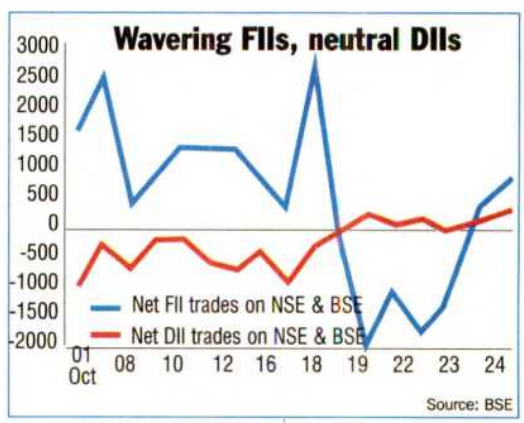
The 16 October Sebi draft paper on issuance of offshore derivative instruments (ODIs) by FIIs and their sub-accounts cited "anonymity that the ODI provides to the investors and the copious inflows into the country from foreign investors" as the main reasons for the curbs proposed on participatory notes. However, in the days that followed, statements and signals emanating from North Block and Sebi did little to pacify the markets. The volatility was phenomenal. In fact, the biggest falls and rises this calendar year happened during the past 10 days.

The finance ministry said the Sebi move was to moderate capital inflows, and that the draft paper — open to discussion for four days — was as good as regulations. The 1,700 point plunge nevertheless had P. Chidambaram worried and to allay fears, he said FIIs were buying, even as trading remained suspended in both the exchanges. He also said there was no cap on capital inflows and free flow of foreign investments would continue in the equity markets. The markets recouped and bounced back 1,000 points on the same day.

Six days later on 22 October, Sebi chairman M.Damodaran was reassuring FIIs in a video-audio conference that if sub accounts registered with it as FIIs they can continue to issue ODIs with stocks as underlying. 'Anonymity that the ODI provides' suddenly didn't seem to matter. Damodaran said Sebi will put new FII registration applications on fast track but didn't explain how this would ensure thorough credential checks.

The market, in the meanwhile, could not help itself but be volatile. In the first three days (17-19 October) Sensex fell 1.8-, 3.8- and 2.8 per cent, respectively. But it shot up 5 per cent on 23 October. Not surprisingly, FIIs and domestic institutional investors behaved differently with regard to trades on the stock exchanges (see graph: Oscillating FIIs, Neutral DIIs).

To make matters worse, Sebi was said to be probing the FIIs that sold in the few minutes when the Sensex crashed 10 per cent soon after market opened on 17 October. This was strange because Sebi's ambiguity had created the panic in the first place. In the past, too, when the markets crashed, Sebi and the government have tended to react in the same fashion. The end result has always been a no-show. ■



Source: BSE

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Laying down the RULES

AIM-listed Indian offshore realty firms get a reality check as LSE tightens its grip.

By Rajesh Gajra

ON 19 October, the London Stock Exchange (LSE) levied a large fine of $500,000 (Rs 2 crore) on Nabarro Wells, a nominated adviser (Nomad) on its Alternative Investment Market (AIM), a first on AIM. Nomads are intermediaries that help companies list at AIM for a fee. AIM provides an international platform for small companies to raise capital without minimum free float requirement.

LSE fined Nabarro because, among other things, it failed to ensure that the companies it got in complied with AIM rules. Nabarro is not a Nomad for any Indian company. But the fine warns of a tightening regulatory regime in the near future. In February this year, the LSE had stiffened disclosure norms for companies and compliance requirements of Nomads.

For the 20-odd companies that are listed on AIM with predominant revenues from Indian assets, the LSE move may well portend difficult times. Over past two years, these Indian companies have raised about $4.24 billion (Rs 16,960 crore) in equity IPOs on the AIM. A bulk of it or $3.19 billion (Rs 12,760 crore) is accounted for by nine real estate companies.

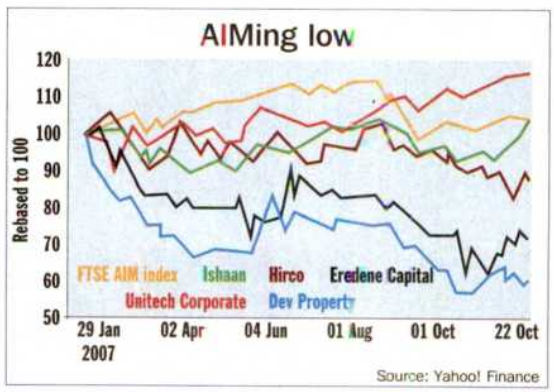
LSE's penal action highlights its attempts to address international criticism of AIM listings of poorly regulated companies. LSE, so far, has maintained a hands-off approach. "Communications between a Nomad and a company is a matter for them and not the LSE," says LSE spokesperson Fiona Hurst.

But, LSE now wants to have a grip over the Nomads, on which the AIM has vested regulatory responsibility. Indian realty companies have still some distance to travel to instill confidence among investors. For instance the profile of AIM-listed Ishaan Real Estate on the LSE website does not comply with the exchange's enhanced disclosure norm of revealing its website address.

Besides Ishaan of K. Raheja, other Indian real estate groups also set up offshore companies and got them listed on AIM — Hirco of Hiranandani, Dev Property of Indiabulls and Unitech Corporate Parks, taking advantage of high valuations there. "A fund that held land on which construction was going to start would probably get valued at Rs 12 a share in the Indian market, whereas the same would have got valued at Rs 20 a share in AIM," says Rahul Guptan, partner in solicitor firm, Amarchand & Mangaldas.

But recent share price movements belie such expectations. This is not just due to LSE tightening its loose grip on AIM. "Investors suspect the calculation of valuation of assets in the fast-moving Indian real estate market is difficult and so is not accurate and reliable," says the managing director of a LSE broking firm who was a member of an AIM roadshow team in India in early October.

Falling share prices have deterred realty companies from raising further capital on AIM. Slackness in disclosures would make it more difficult. ■



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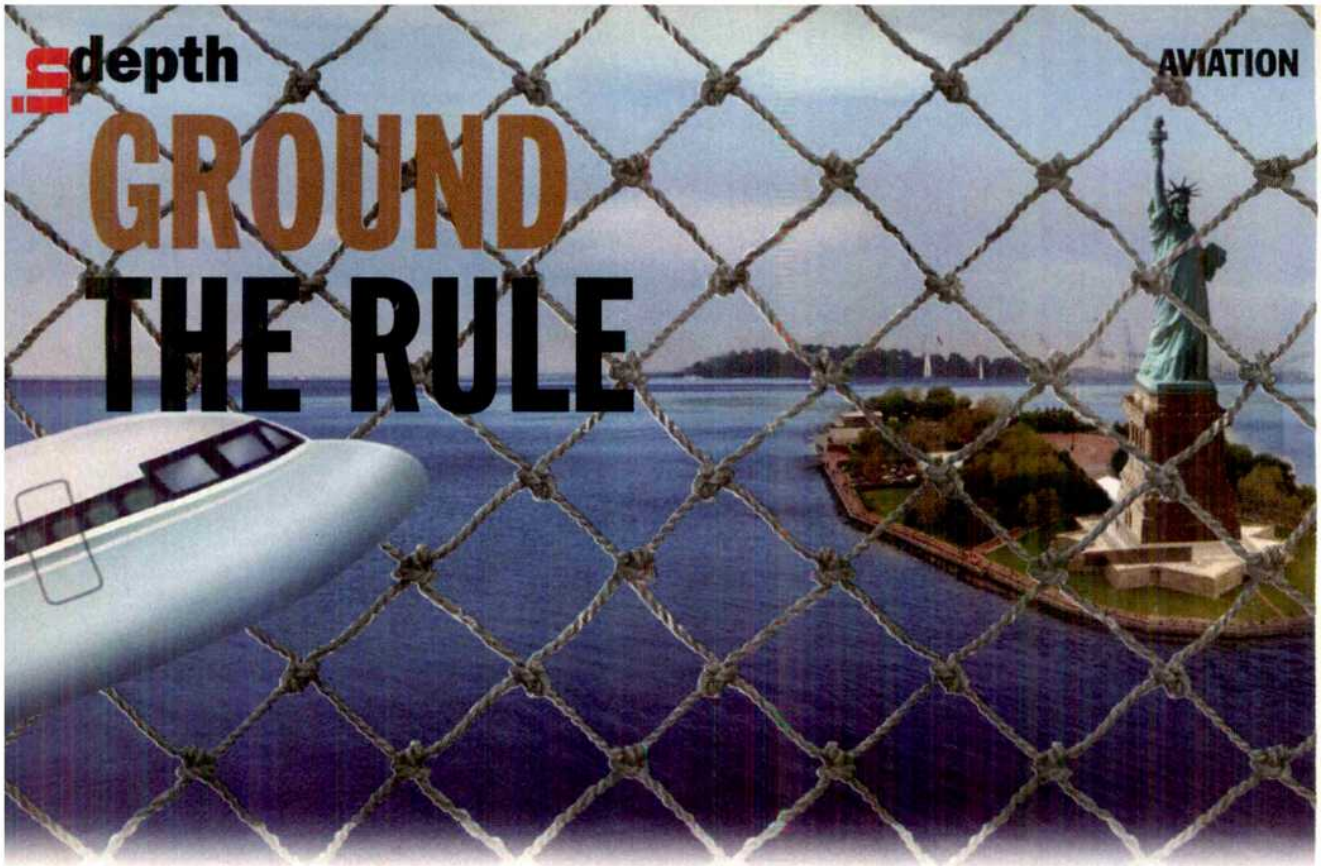

Imaging: ANTHONY LAWRENCE

The eligibility criteria for private airlines to fly overseas defy logic

EVER gone through the agony of waiting in an aircraft hovering over an airport for permission to land? If you have, you may empathise with domestic carriers who await a policy decision to fly abroad, earlier than the mandated five years from the launch of operations in India. They also expect a relaxation in the other norm of a minimum fleet size of 20 aircraft. But the empowered group of ministers (eGoM) set up to revise these norms has failed to take a decision on these in the past three months. Though they planned to meet several times, they could meet just once because one or the other minister wasn't available.

Jet Airways and its subsidiary JetLite (Air Sahara before the acquisition) are the only two private carriers that satisfy the current norms. Flying overseas for two years now, 19 per cent of Jet's revenue comes from international routes. Deccan that has clocked in four years is close to meeting the criteria. But Kingfisher is barely 29 months old, as are others like GoAir and IndiGo.

What's worse for domestic carriers, airlines from abroad have begun flying in without having to fulfil any of the conditions imposed on Indian carriers. Some of these have less than six months of experience and a fleet size of barely four—such as Thai low-cost carrier Nok Air and Australian no-frills Jetstar.

Minister for civil aviation Praful Patel says private carriers should be allowed to take up 43 per cent seats unutilised by Air-India, on the Gulf sector alone. The shortage of seats on international routes, including open sky sectors such as the US, makes yields on them more lucrative than domestic flights. The higher profitability, of nearly 12 per cent on an average, is making domestic carriers even more impatient.

So, they attempted skirting the restrictive clauses. Deccan Aviation set up a joint venture in Sri Lanka and even got the licence to fly out of Colombo to India and other destinations as far back as December, 2005. But, Sri Lanka's political instability has held it back. Deccan now plans to take off in three to four months. Vijay Mallya's acquisition of Air Deccan will allow him to fly abroad faster than would have been possible otherwise. Similarly, Jet's attempt to set up a subsidiary in the US was declined by the US government.

Predictably, lobbies are at work. A Parliamentary standing committee said in its latest report, it sensed arbitrariness in the restrictions on domestic airlines wanting to fly abroad. Without naming Jet Airways, it said the grant of 'speedy clearances' to a company helped it get a good opening for its IPO (in 2005). "The current policy favours Air-India and Jet Airways," complains Kingfisher Airline's executive Vice-President Hitesh Patel. Kingfisher's Chairman Vijay Mallya is pushing hard to get the norms relaxed. But Mallya is pitted against Jet's promoter Naresh Goyal who is putting up a stiff fight to protect his turf.

After two years of dilly-dallying, Patel asked the Cabinet to do away with the blanket criteria and give his ministry the power to evaluate individually each airline seeking the precious rights. But he did not list the evaluation criteria. The Cabinet passed the proposal to a group of ministers headed by Pranab Mukherji. But several of its members, including Railways minister Lalu Prasad Yadav, remain opposed to relaxing the norms. Their excuse: the norms came out of a Cabinet decision! Private domestic carriers deserve a better explanation. ■

Their man, or our man?

AFP

WILL THE REAL BOBBY JINDAL PLEASE STAND UP? Jindal's dual identity as a conservative and an Indian American makes many in the diaspora uncomfortable

DHARMINDER KUMAR

BOBBY Jindal's electoral victory as the Governor of Louisiana at the age of 36 has been feted by Indians all across the world, but not without reservation. He is the first person of Indian origin to govern a US state — that too one that is known as much for its poverty as it is for rampant racism. In fact, in 1991, David Duke, a former Ku Klux Klan 'Grand Wizard', was nearly elected as its governor.

But many Indians are trying to reconcile their obvious pride in the success of somebody who is clearly 'one of us' with their concerns over his particular brand of Republican politics.

Born to Indian immigrants in 1971, Piyush Jindal converted to Catholicism during his college days and since then has formally been known as Bobby Jindal. He joined the Republican Party and campaigned against abortion, aggressively promoted the teaching of intelligent design in public schools as an alternative to Darwin's theory of evolution and pushed for the repeal of hate-crime laws. It is is this kind of politics that makes Indians on the other side of the political spectrum, uneasy.

His conservative politics means that not all Indian Americans are celebrating Bobby Jindal's recent electoral win

Jindal has also managed to disappoint some people back home; mostly his relatives, who have mixed feelings about the political prodigy. He last visited his family in Khanpura, near Maler Kotla in Punjab, three decades ago. Jindal's relatives would like him to come 'home' and make his glory theirs as well. They want him to be like Ujjal Dosanjh, the former Indian-Canadian premier of British Columbia, who regularly visits his ancestral home in Punjab and contributes to its development and welfare.

The dilemmas that Jindal's victory raises for Indians in the US and in India are symptomatic of both, the deep political divides among the Indian-American community and the ambivalent relationship of a nation-state and its diaspora.

These, however, are not Jindal's concerns. His first priority would be to deliver on his promise of checking rampant corruption and rebuilding Louisiana's hurricane-ravaged city, New Orleans.

The outgoing Louisiana administration, led by Kathleen Blanco made a hash of the relief and rehabilitation work after Hurricane Katrina hit New Orleans in 2005. Blanco, who defeated Jindal in the previous election, did not even bother contesting this time given the prevalent unpopularity of her Democratic administration.

Jindal has scaled the first political peak in the US — that of a state governorship. The White House could easily be his next destination. The office of the President is a possibility open to him because he was born in the US, unlike his more famous Republican counterpart in California — Governor Arnold Schwarzenegger.

Right now, all attention is on Jindal — with his Indian background, his tough anti-corruption stance and his religious views. But as he takes the office, how his policies play out over time is still to be seen. ■

ABP

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Businessworld

INDIA'S MOST RESPECTED COMPANIES 2007

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The halo

Financial success or altruism alone is not enough to command respect. Indian companies are trying to strike the right balance.

By Jehangir S. Pocha

Illustration: ANTHONY LAWRENCE

SOME sitting atop rickety buses, some cramped together in cabs, some perched precariously on overloaded rickshaws, and others walking cheerfully in groups through sun-burnt streets. The annual general meeting of Reliance Industries is the Haj many of the company's million-plus shareholders make with religious zeal — and for good reason. No other company has enriched so many shareholders by so much in India's history. So it's significant that ever since *BW* commissioned the Most Respected Companies survey in 1983, Reliance has never been able to shake off the accusations that plague it and win the crown of respect. If Mukesh Ambani needs any consolation beyond the $10 billion addition in his notional wealth this year, he should consider that one eruption in Singur has been enough to fracture the painstakingly acquired reputation of his rival Ratan Tata's Tata Motors.

Respect is elusive and capricious. So why do companies try so hard to win it? Because the reason American CIOs contact Nandan Nilekani when they need outsourcing services, and the reason Corus's then Chairman James Leng thought of Tata Steel when he was looking to be bought out, is the same: the halo effect. The respect Infosys and Tata Steel command is turning them into sought-after business partners, underlining how something ineffable can have a very tangible impact on bottom lines. Money aside, it is in human nature to want to be recognised for having accomplished more than what could be fairly expected, for having made a difference to society. And to be held in regard by strangers who want to shake your hand and who rise when you enter a room.

In the long run, the respect a company earns is the most comprehensive indicator of its overall performance and standing in the marketplace, the bourses and society. The results of this year's survey vividly underline how respect is a multi-dimensional measure that encompasses soft, qualitative factors as well as hardcore financial results. The listings are full of companies that have excelled and outperformed their peers on parameters as diverse as market performance, philanthropy and global ambition. By

effect

recognising these companies for going beyond their commercial interests in our pages, and by honouring them at an award ceremony early next year, we hope to motivate India Inc. to continue to drive inclusive growth in the country.

Given the year has been laden with news of land acquisition debacles, overpaid CEOs, stock manipulations, tribal displacements and internecine family disputes, the value of corporate respect has soared. Companies are realising that while they can acquire talent, technology and brands, the esteem of peers, consumers and officials is hard to earn — and easy to lose. In the following pages we will outline for you what it takes for a firm to rise above others and cut out a special place for itself in the public imagination.

Topping the *BW*-IMRB list of India's Most Respected Companies, for the third year in a row, is Infosys. No surprise here. But coming up next is Sunil Mittal's Bharti Airtel, now among the world's most valuable mobile phone companies. Third on the winner's podium is India's largest private sector company, Reliance Industries, whose owner, Mukesh Ambani, could soon become the richest man in the world.

But, as in previous years, companies that once topped our rankings now lie at lowly positions. And some new businesses, such as Kingfisher Airlines, have burst into the high echelons of the survey. In some cases, these dynamics reflect the way companies have changed. In others, the shifts reflect our society's transforming mores. In that sense, assessing India's most respected companies is like holding a mirror up to ourselves. If Wipro, a company whose founder keeps nearly 80 per cent of the company's equity for himself, is more respected than Tata Steel, whose founding family has always seen its mission in national terms and owns only a miniscule part of the firm, then does this mean we now value success more than altruism? If software majors Tata Consultancy Services and Satyam Computers don't even appear on a list otherwise dominated by IT firms, is it because they are paying the price for having low-profile CEOs in a glamour hungry world? If the privately held Microsoft India is the highest-ranked MNC on the list does it mean we are actually assessing a company on its fundamental merits and not its stock price?

The truth is, we don't really know. What makes the MRC survey intriguing is that, like all the really important things, it is ambiguous, and open to question and interpretation. What we have done is ask a number of influential and informed people their opinions on India's top companies (see methodology on page 92). The responses were doubtlessly based in an eclectic brew of knowledge, perception, prejudice and informed gossip. This is much more valuable than mere cardinal measurement, even if such a thing were possible for respect, because this fuzzy, mixed-up way is how we all see the world. So, the companies that have bested the others on this subjective list have succeeded at the most difficult of tasks — to use their concrete achievements and public image to make a place for themselves not just in people's minds, but their consciousness.

This is important in India's increasingly competitive markets, where consumer choice and discernment is growing and buying and investment decisions will increasingly be driven by how someone feels about a company. Practically speaking, there is probably little difference between a savings bank account in ICICI Bank and HDFC Bank. But the fact that ICICI Bank ranks substantially higher in this survey than HDFC Bank (despite the far greater number of mysteries contained in its balance sheet) means ICICI Bank's market capitalisation and customer base will probably grow much faster than HDFC Bank's.

Somewhere, there will be CEOs who will sit back and say, "Wow, I've got to go get me some respect!" They will do the obvious and throw money at some NGOs, buy advertorials, and get expensive PR agencies to fix them up with the right speaking engagements. Some will even give up travelling in a Mercedes Benz and do a N.R. Narayana Murthy by driving an ageing Opel Astra. But like the politician who tries to stay in the 'khadi' mold by wearing simple *kurtas*, but who cheats on the idea of simplicity by making sure his *kurta* is made of the finest linen and cut in a subtly contemporary style by one of the country's best tailors, the company trying to fake it is easily caught.

Enduring respect stems solely from a company's core values as inherited over the years and shaped by its current management and employees. It cannot be contrived or manipulated, at least not for long. Building respect demands commitment, passion, investments of treasure and time, and patience. The journey includes facing periods of pain and difficulty with resolve and strength and going through times of success with grace and humility. But when respect is finally earned, it is too powerful to be denied. So, *BW* congratulates the companies on this list, and hopes that in a nation starved of role models, they will inspire other firms and managers to reach for the ultimate accolade. ■

MY DREAM COMPANY

"I am interested in consulting majors such as McKinsey as it gives exposure to a variety of industries"

Aditya M.R., IIM Bangalore

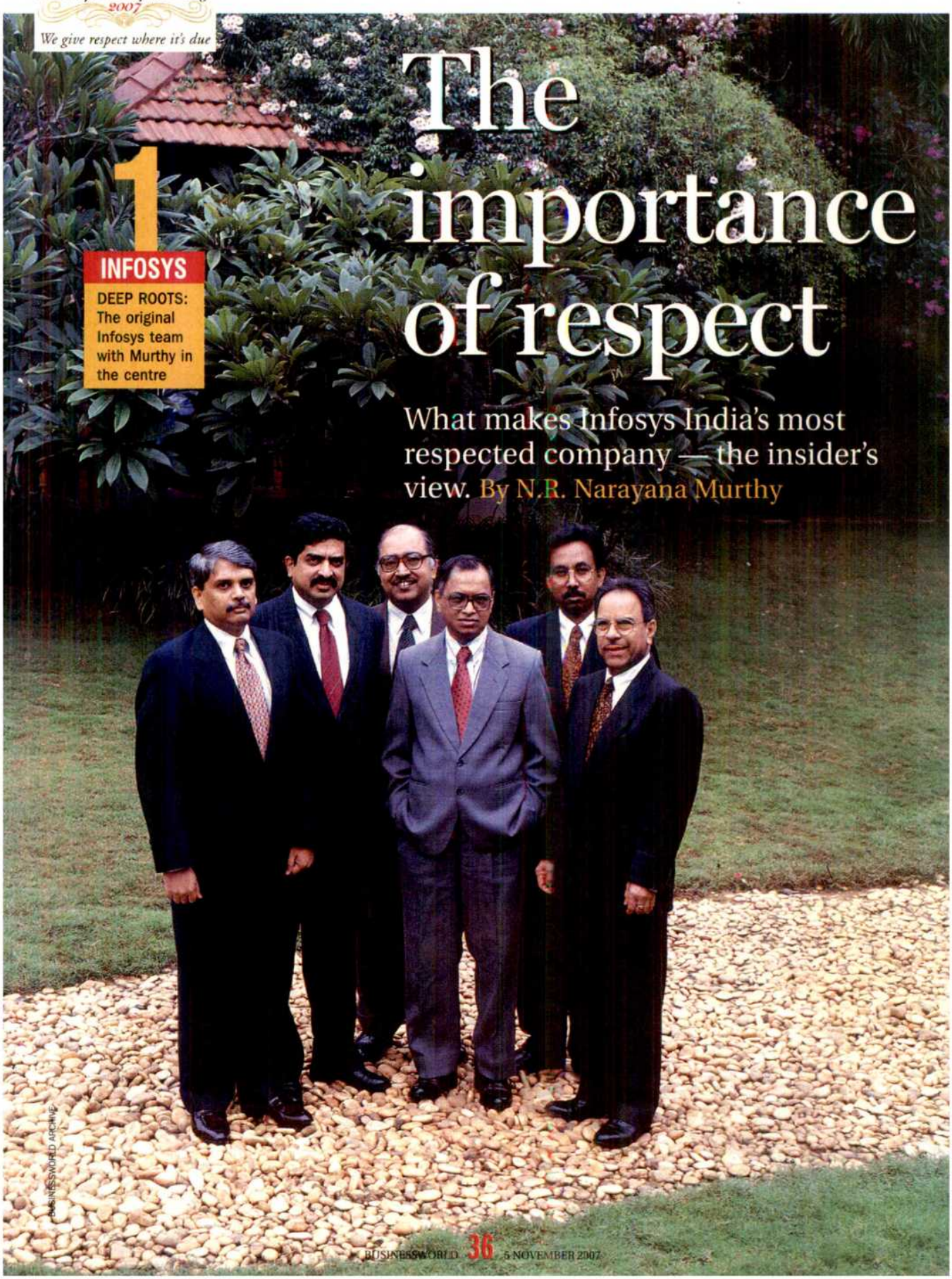
"TAS, since it has a strong value system and is one of the few companies that can compete with MNCs"

Ashish Agarwal, FMS, Delhi

The importance of respect

1 INFOSYS

What makes Infosys India's most respected company — the insider's view. By N.R. Narayana Murthy



DEEP ROOTS: The original Infosys team with Murthy in the centre

BUSINESSWORLD ARCHIVE

IT was the latter part of May 1981 when the seven founders of Infosys met at my apartment in Mumbai to decide on the objectives for Infosys. The conversation ranged from becoming the software company with the highest revenue in India to becoming the company with the highest profits and the highest market capitalisation.

After a passionate four-hour debate based on data and facts, in what was to become the Infosys norm, we decided to strive to become India's most respected software services company. Our logic was that in striving for respect we would ensure that we did not shortchange our customers; were fair and open with our colleagues; transparent and accountable to our investors; fair to our vendor-partners; did not violate the law of the land wherever we operated; and created goodwill in society. Indeed, these values are at the foundation of our value system – CLIFE (customer focus, leadership by example, integrity and transparency, fairness and excellence in execution). Our vision is to become a globally respected corporation, providing best-of-breed, end-to-end business solutions leveraging technology and employing best-in-the-class professionals.

Why has Infosys been cited as the most respected company more often than any other company in India? It is clearly due to our steadfast commitment to CLIFE. This recognition by *Businessworld* is yet another pat on our back. Such acts of generosity, kindness and encouragement will keep us working harder and smarter to continue our quest for respect. Thank you, *Businessworld*. We, Infoscions, are grateful to you.

We emphasise the importance of respect from our stakeholders from the very first day new Infoscions walk into our Global Education Centre at the Mysore campus. I learnt pretty early in my career that the best way to make my colleagues return to our offices happy and enthusiastic every morning was to make Infosys more and more respectable. Every time I address a new batch, as part of the orientation, I tell them that I can guarantee them only three things at Infosys. First, their respect and dignity will be maintained and enhanced in every transaction. Second, the company will always conduct itself in a fair and ethical manner so that they will never have to hang their head in shame in front of their loved ones and friends. Third, and finally, they will be able to learn three times more than in any other environment. Youngsters like it because they are idealistic, the respect of peers and family matters to them the most, and they place a high premium on learning. I am glad that Infosys has lived up to its promises so far.

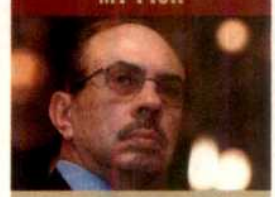
We ensure that we put the interest of the customer highest in everything we do. The customer champions within the company fiercely defend the interest of the customer in every action of ours. Let me demonstrate this philosophy with an example. In July 1996, we had signed a project contract with a customer in Canada. The customer champion had promised to start the project on a certain Monday. Our project team was to leave India for Canada on the prior Friday. However, there was a delay in obtaining visas from the Canadian High Commission in New Delhi. It became apparent by Wednesday that the team would not be able to travel to Canada on Friday. Our customer champion insisted that we have to start the project the next Monday, else the client MIS Director would look bad in front of his people. Hence, a decision was taken to inform the Client MIS Director that he could start the first phase of the project taken up on Monday with a vendor of his choice and that we would defray the difference between our price and the cost to the customer. As great admirers of Mahatma Gandhi, Infoscions believe that the best instrument of creating trust in our people is to lead by example and by walking the talk. Whether it is coming to the office early, working hard, sacrificing financial and material comfort to reduce costs, or focusing on excellence in execution, the managers at Infosys always lead from the front.

Integrity is the lifeblood of our existence as Infoscions. We can excuse incompetence but not lack of integrity. One of the most difficult decisions we have taken was choosing integrity over talent in the case of an extraordinary individual that we let go several years ago. Integrity is predicated upon our belief that we must always stand by our word. That is why the phrase 'under-promise, over-deliver' is a much revered motto at In-

REUTERS

MUST SEE: Infosys campus is a mandatory stopover for most heads of states. Václav Klaus, President of the Czech Republic with Murthy

MY PICK



"Infosys, as it has not only built a successful global business, but has also put India on the world map"

Adi Godrej, CMD, Godrej Group

MY DREAM COMPANY

"The Amul movement fascinates me. It has changed the lives of rural women across the country"

Akanksha Thakore, IIM Ahmedabad

GEE IMAGES

THE HUB: The sprawling Bangalore campus of Infosys, also the company's headquarters, is spread over an area of 80 acres

fosys. Investors understand that every business will have its ups and downs. What they want the management to do is to bring bad news proactively and early. This is why transparency becomes very important. Our belief in transparency is driven by our desire to disclose when in doubt. Infosys has always believed in bringing any possible bad news voluntarily to its investors. I can recount several examples. Bringing the news of loss of business from our biggest client, our loss due to investments in the secondary stock market, forecasting a slower growth in 2001, and admitting early the possible financial liability in a harassment case are a few of these.

Fairness is the foundation on which all happy and sustainable relationships are built. The best instrument of ensuring fairness is using data and facts to decide on every transaction. My discussions with younger colleagues tell me that they are willing to accept an adverse decision as long as we go through a fair and due process, use data and facts to arrive at a transparent decision, and provide full opportunity to the affected individual to present his or her data. So we live by the maxim: 'In God we trust, everybody else brings data to the table'.

Excellence in execution is extremely important since brands are built on product or service experience. No rhetoric will convince a customer as much as delivering more than you promised. We believe that our actions speak the loudest and that they create trust in every stakeholder. Hence, the focus at Infosys is on execution rather than words. That is why, even today, we spend most of our time enhancing the quality of recruitment, training and project execution. Every week, we receive reports on how clean our security gates are since they are the first touch points for our stakeholders. Another important aspect of excellence in execution is the speed of response to requests, suggestions and grievances from our stakeholders, particularly, fellow Infoscions. Every mail we receive is answered within 24 hours with a suitable action initiated, if not completed. In the end, respect comes from creating trust and confidence in every transaction with your stakeholders. Let us remember that performance brings trust and confidence, trust and confidence bring respect, respect brings recognition and recognition brings power. That is the mantra at Infosys. ■

The author is chairman of the Board of Infosys Technologies

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PARANJAPE SCHEMES
The Spirit Of New India

Hail the ring master!

All bells are ringing for telecom biggie Bharti Airtel, the second Most Respected Company in India. By Anup Jayaram

I AM taking a week off," says Sunil Bharti Mittal, first generation entrepreneur, Padma Bhushan recipient, Fortune Asia Businessman of the Year, and chairman and group managing director of Bharti Airtel, the company that has been winning awards almost every month, as its chief points out amiably. That's a lot of work. Just back from a hectic trip to New York, where he hosted the India@60 event as president of the Confederation of Indian Industry (CII), Sunil Mittal, recently turned 50, wants to take a break. Mittal heads India's largest mobile service provider which, with 50 million subscribers, is miles ahead of its closest domestic competitor, Vodafone Essar (35.7 million subscribers). Mittal's Rs 18,420 crore ($ 4.6 billion) Bharti Airtel ranks among the top 20 mobile service providers in the world. Exactly a decade ago, in September 1997, Airtel had all of 100,000 subscribers, and that too located in Delhi and Himachal Pradesh. A legend in his lifetime, Mittal has been a very busy man indeed.

The company's unparalleled ascent is not restricted to subscribers and revenues alone. With a market capitalisation of $52.8 billion, it is among the top five corporations in India. While it is far behind Reliance Industries' $103 billion market cap, it is almost double that of Infosys at $27 billion.

Mittal's peers approve, and how. As *BW*'s second Most Respected Company, Bharti Airtel has risen 10 rungs from the No. 12 rank it held as Bharti Televentures in the previous survey.

The symbolic genesis of this achievement lies in the company's October 2005 resolution to become India's most admired brand by 2010. It's a vision that foresees being loved by more customers, being targeted by top global talent, and being benchmarked by more businesses, both local and global. Clearly, some of this has already been achieved.

As Soon As Possible

"The key criterion within Bharti, right from the beginning, has been speed. It's in our DNA," says Manoj Kohli, president and CEO, Bharti Airtel. What's more, there can be no compromise on quality.

Sunil Mittal expects to build a leadership team that will take over the reins in the years to come. For that to happen, 80 per cent of the mid- to senior-level posts have to be filled by internal candidates. To ensure this, the company is training employees in project management.

Already, Bharti Airtel has moved seamlessly from being a family-run company headed by three brothers — Rakesh, Sunil and Rajan — to one that is headed by professionals. "Today, we are a family in business," Mittal points out.

Take a look at the way the company handles its huge capital expenditure year after year. During this financial year, Bharti Airtel will invest $3.5 billion (Rs 14,000 crore) to widen its network. As part of this expansion, it will add 30,000 mobile towers this year, 75 per cent of its existing base of 40,000. The professional team decides where to invest the money. "It is for the team to decide what to spend where," says Mittal. "They do not come back to me to seek direction on this."

Upward Mobility

This is not the first time the company has changed the rules of the game in the industry. In 2004, when Bharti outsourced its mobile network to Sweden-based Ericsson and Finland-based Nokia, most telecom industry officials were perplexed. After all, the network is at the core of all telecom operations. Giving control of the network to someone else was seen as suicidal. However, the advantage was that Bharti Airtel only paid for the utilised portion of the network. Since, at any given point of time, a third of the capacity is unutilised, it became a huge advantage for the group. While this was a radical move in 2004,

2

AIRTEL

TOP IN SIGHT: Bharti Airtel Chairman Sunil Mittal is all set to take on the world

Photograph: TRIBHUWAN SHARMA

MARKETCAP SPIRAL

17/11/07	$52.83 billion
24/07/07	$43.58 billion
25/04/07	$37.95 billion
19/01/07	$29.31 billion
23/11/06	$20.5 billion

Source: BW Research

Mittal says, the Bharti model has been replicated by many operators, both in India and abroad.

More was on way. Information technology needs were outsourced to US-based IBM. Now IBM deals on behalf of Bharti Airtel with major vendors which include Oracle, Sun, Kenan Systems, HP and Hughes Software. The company then went a step ahead and outsourced its call centre operations to Nortel.

"With that, we did not just tackle scale, we also emerged as a unique business model," says Kohli. Now, the top management is not involved in the daily grind of seeking and procuring equipment, installing the network and keeping it operational. While services became cheaper for the customer, the company kept growing. Both Mittal and Kohli are looking forward to 2010, when Bharti Airtel is expected to have 125 million subscribers. That is when Bharti's economies of scale will improve and catapult it among the top five mobile operators across the world.

Connecting People

For now, the immediate focus of the group is to increase coverage in small towns and rural India, where mobile connectivity is growing fastest. Bharti already has a presence in over 250,000 of the 600,000 villages in India. Kohli says that the results from the rural hinterland are gratifying, since subscriber revenues are quite in sync with those in urban India. To better even that, Bharti Airtel needs a network that goes deep into every part of India, and provides services tailored to the needs of the rural market. That's what the $3.5 billion investment this year will try to do. It will be followed up through next year.

Another big plus for Bharti has been its steadfast adherence to regulatory norms. It was among the leading operators in the fight against Reliance Infocomm's move to full mobility from limited mobility in 2002. Along with other GSM operators, Bharti Airtel fought out the entire issue in court. It enhanced the company's clout in the telecom sector.

Thanks to its image, Bharti Airtel has been able to attract a string of global investors. With the growth in India's telecom subscriber base after the New Telecom Policy 1999, it had BT (formerly British Telecom) as a partner. Since then, a number of investors, including US-based private equity firm Warburg Pincus, have come and gone, but only after having secured great returns on their investment in Bharti. Currently, Bharti Airtel has Singapore's SingTel as a partner.

The company wants to be seen as a lifestyle brand that straddles the telecom and entertainment space. Mobile TV and direct-to-home television services are steps in that direction. Also on the cards is an IPTV (Internet Protocol Television) service.

Staying tuned to the domestic market, Bharti Airtel has so far sought overseas business presence in Jersey in Channel Islands and Seychelles. Later this year, Bharti will launch mobile services in Sri Lanka .

Mittal will want to retain Bharti Airtel's cutting edge, both in subscriber numbers and in respect. That should not be difficult given the strong foundation he has built. One thing is abundantly clear: in a country where the credibility of politicians and their scions is very low, the son of a politician (his father Sat Paul Mittal was an MP) has been able to create and run one of India's Most Respected Companies. That is some achievement. Sunil Mittal deserves that break, though he is likely to be right back. We are not going away either. ■

TRIBHUWAN SHARMA

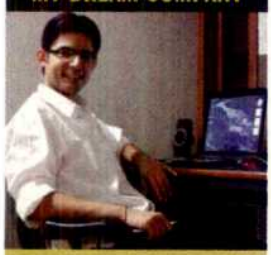
TOWERING AMBITION: Bharti Airtel will add 30,000 such towers this year

MY PICK

"Wipro's hunger for growth, appetite for other businesses, as well as its leadership and core values make it a respected company"

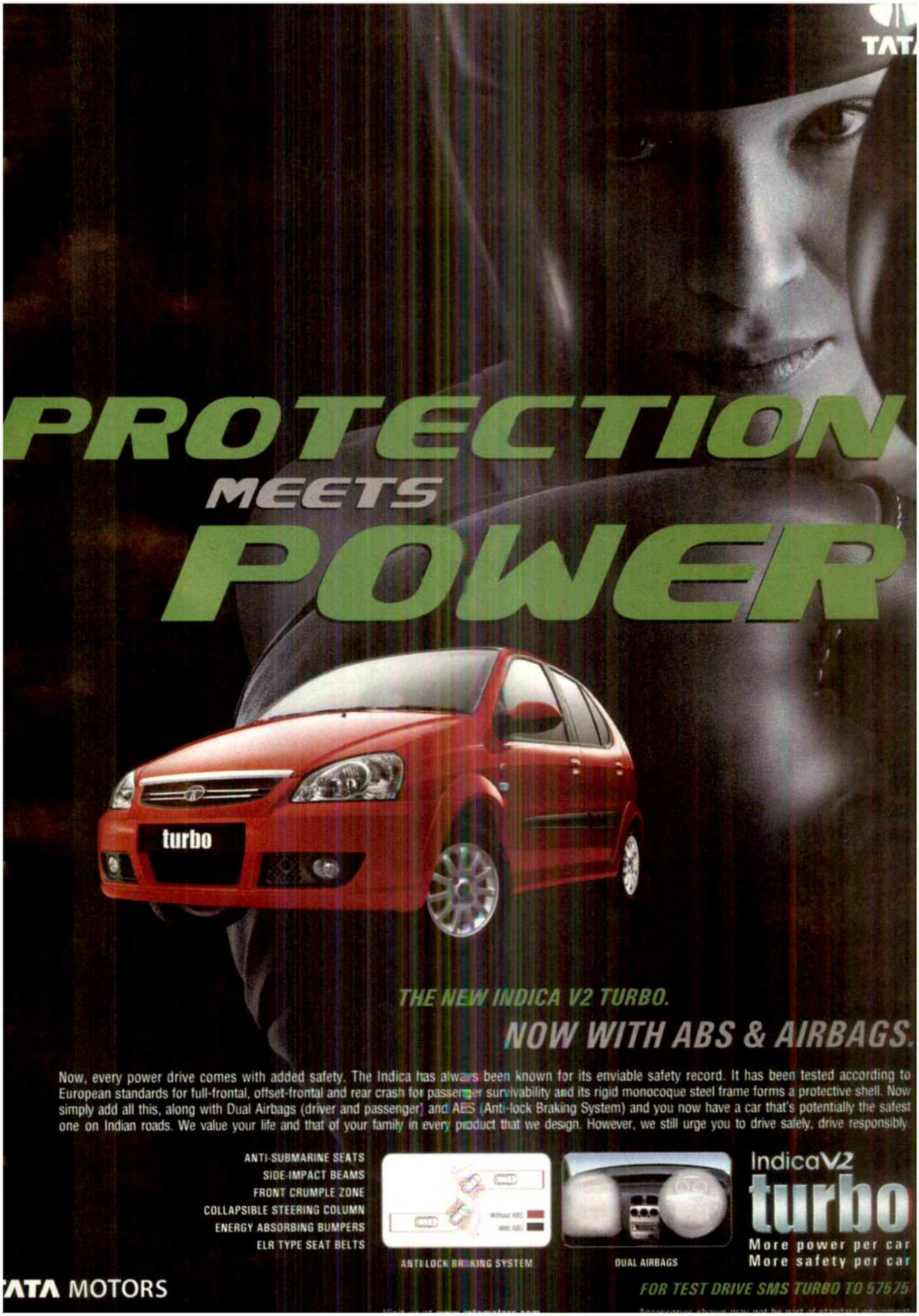
Kishore Biyani, MD, Pantaloon Retail

MY DREAM COMPANY



"TAS is one of the few companies that groom their recruits specifically for top management positions"

Akshat Babbar, IIM Ahmedabad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FRONT CRUMPLE ZONE
COLLAPSIBLE STEERING COLUMN
ENERGY ABSORBING BUMPERS
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With ABS
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TIGER

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What matters is what you do with your first.

Karan Johar
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Success deserves a special embrace and what better way to do it, than owning a gold and diamond series that will distinguish you from everyone else. Seen here, Karan Johar wearing a classic Parallo in 18 k solid gold & diamond.

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SUBHABRATA DAS

A high-octane mix of ambition, prudence and grit fuels Mukesh Ambani's lumbering juggernaut Reliance Industries, which will now steamroll through foreign terrain.

By Baiju Kalesh

The world

FOR decades, Mukesh Ambani chose shadows over the spotlight, opting not to be seen, heard or, most pertinently, distracted. To many, he remains that shy enigma who emerges from the hectic universe he helped build only long enough to address Reliance Industries' (RIL) annual meet, invariably announcing multi-billion dollar expansion plans that enhance the fortunes of the 3.8-million strong 'Reliance family', besides his own. Mukesh Ambani's prudent ways have taken RIL to the top 3 in *BW*'s list of Most Respected Companies. In the study that polled 499 respondents, RIL, with 8 per cent votes, was chosen the second most competitive company, only a little ahead of Microsoft India (7.4 per cent), but quite far behind Infosys Technologies (38.3 per cent).

The pace, frequency and thrust of his announcements to shareholders, famously made in football grounds by the legendary Dhirubhai to accommodate unprecedented crowds, have only increased since Mukesh stepped into his late father's extra-large shoes. RIL's annual meeting this month was no different: the package included an investment of Rs 16,400 crore in hydrocarbons and Rs 8,200 crore in petrochemicals. The company gained courage from the Rs 1,14,800 crore in RIL's marketable securities. Growth is expected to come from both the organic and the inorganic routes. Overseas, Reliance is moving from fully owned companies to joint ventures. All in a year's work.

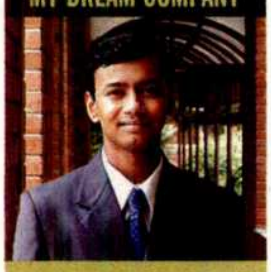
In the last five years, Mukesh has strived even more to be his father's son. RIL is now a conglomerate, staking claim to every space in the energy value chain, from gas to petroleum products. The company has also sought opportunities in new sectors like organised retail, special economic zones and telecom, the last given away to brother Anil as part of the settlement after the most acrimonious inheritance war of the country. Mukesh has also been aggressive in acquiring a handful of companies abroad, adding to his global market share. Side by side, the deceptively quiet Stanford graduate also doubled the capacity of existing businesses in refining crude and petrochemical manufacture, besides discovering gas in the company's exploration blocks in the Krishna-Godavari basin.

Racing itself

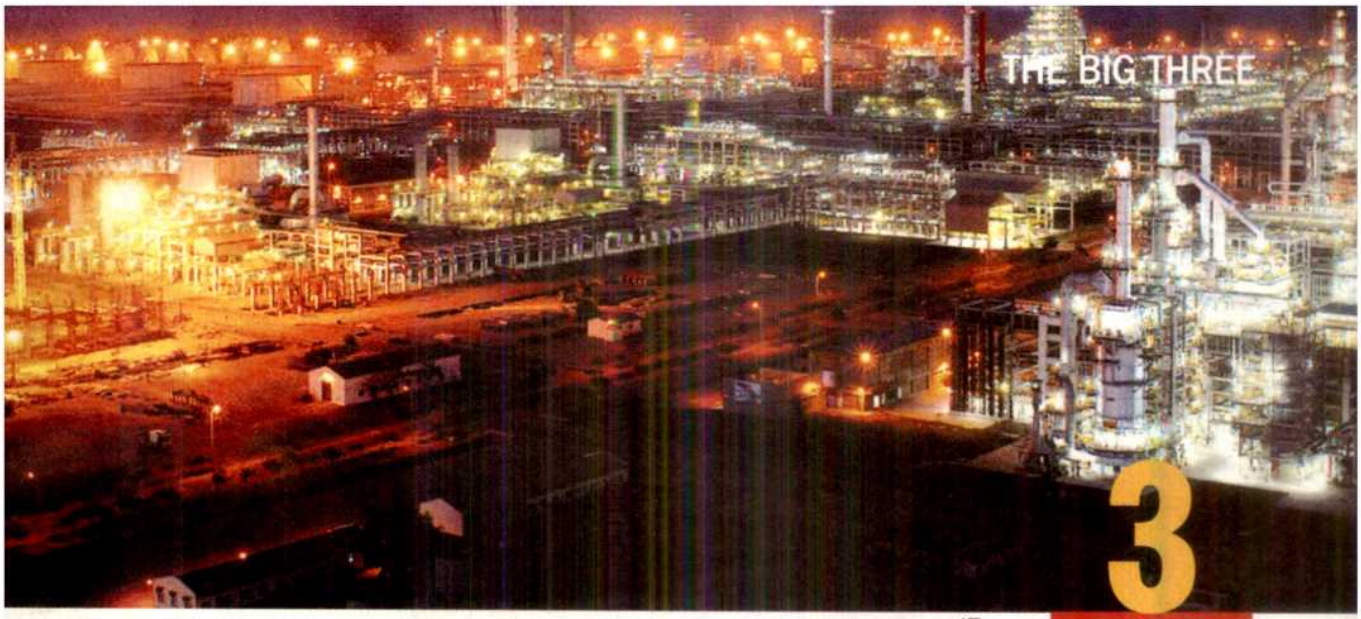
The country's most valuable company in terms of market capitalisation (Rs 3.19 lakh crore), has a significant competitive advantage. It comes from its state-of-the-art new refinery, unlike those of its rivals, who will have to invest heavily in upgrading their old refineries, and face the wrath of environmental activists. RIL's geographical location, which is closer to crude coming in from West Asia, helps cut down the cost of logistics. RIL's refining margin of $11-plus is higher than Singapore's $9 benchmarked margin.

RIL's global ambitions have just begun breaking the precedent of building businesses from scratch. Although Mukesh is yet to reel in big buys like Tata Steel's Corus, or Hindalco's Novelis, he has been securing companies that fit into his

MY DREAM COMPANY



"ITC is a class apart. It focuses on performance, meritocracy and upholding of company values"
Umashankar Kumar, MDI, Gurgaon



AFP

3

RELIANCE

TWO SIDES OF THE COIN: While the world's largest greenfield refinery at Jamnagar (top) is Reliance's mega achievement, controversies like the fake share certificates scandal (left) continue to dog the company

s not enough

global plan. With domestic capacities stabilised, RIL is now going for country- and product-specific, energy-value-chain acquisitions abroad by leveraging its low-cost raw material base. The buyout of polyester-maker Hualon Corporation raises RIL's polyester capacity by 25 per cent, and its topline by Rs 4,100 crore.

With a 7 per cent global share, RIL is slowly gaining in India, China, and East Asia, which make up 80 per cent of the global polyester market. RIL has also built oil assets in West Asia, Yemen, East Timor, Columbia and Australia. "These acquisitions," says Mukesh, "are forerunners to an acquisitions-led strategy for the future." The Egyptian government recently announced that Reliance would invest $10 billion. In East Africa, a net importer of petroleum products, the company has acquired a 50 per cent stake in Gulf Africa Petroleum Corporation.

The Importance Of Being Earnest

RIL's ambition to transform into a more ethical organisation is yet to materialise. Traders from different states are opposing its organised retail plans, and land acquisition for its special economic zones (SEZ) has to make it through political landmines that threaten all upcoming SEZs.

As of now, RIL must be content with coming in fourth on 'ethics and transparency' (polling 4.8 per cent of the votes), behind topper Infosys (30.7 per cent), followed by Tata Steel (13 per cent) and Tata Motors (6.6 per cent). Joint ventures with energy majors such as Chevron could make a difference in the future.

But RIL falls way behind its rivals in its sector rankings: petroleum products. It has only around 1,400 retail outlets that sell petrol and diesel, an insignificant showing when compared with public sector companies like Hindustan Petroleum, Bharat Petroleum and ONGC. This slowdown occurred after the government denied it the subsidy earned by its public sector peers. It led to an annual loss of Rs 300 crore. Loss was a word not to be found in the Reliance lexicon before this.

Strong And Silent

Accolades are inevitable, though Ambani appears not to seek or shun them. As the most dynamic organisation, RIL (19.4 per cent) leads a band of big names, followed by Infosys (17.6 per cent), Bharti Airtel (9 per cent), ICICI Bank (8.6 per cent) and Kingfisher Airlines (6 per cent).

Despite Mukesh's highly publicised fight with brother Anil two years ago, RIL stays put at No. 3 in the overall rankings, right behind Infosys and Bharti Airtel. Since the brothers split, RIL has rewarded investors handsomely. Their wealth has risen more than six times to Rs 33 lakh crore from Rs 27,213 crore in 2001, when Mukesh first took over as chairman. Sales have crossed Rs 1 lakh crore and profit is more than Rs 10,000 crore. The company has strategically transformed itself into the country's largest exporter (Rs 66,627 crore), raising its investors' returns on shares from 14.8 per cent to 23.5 per cent.

India's second richest man looks set to pursue his many goals with his trademark tenacity. The money happens along the way. ■

The other 7:

Stunning debuts and dramatic comebacks mark the

Holding firm

IN a highly competitive field, even staying put is like winning, and Mumbai-based ICICI Bank has maintained its fourth place in *BW*'s cross-industry peer ranking of Indian companies. What's more, HDFC Bank, its closest competitor and ranked eighth in the previous survey of *BW*'s Most Respected Companies, has dropped out of the top 10 this year.

ICICI Bank had a great 2006-07. Both its net interest income and fee income shot up more than 40 per cent to Rs 6,636 crore and Rs 5,012 crore, respectively, while its net profit grew 22 per cent to Rs 3,110 crore. The bank also gave away a cool 100 per cent dividend. For that commanding performance, it was ranked No. 3 in 'financial performance and shareholder returns', one of the survey's seven parameters.

In its single-minded focus to grow, the bank is seen as resorting to overselling and pushy recovery. However, with home and auto loan growth slowing, it will be tested this year. Can Managing Director K.V. Kamath's charisma alone keep ICICI Bank high up in the next year's rankings? Not an easy guess. ■

Not innovative enough

HERE'S the disappointment of the year: Wipro has slid to fifth position in 2007 from No. 2 in 2006. While peers see Wipro as the second best company on 'people practices and talent management' as well as 'global competitiveness', they rank the company much lower on 'innovativeness' and 'quality of management' — sixth and fifth, respectively.

The company had a good 2006-07, its revenue rose 34 per cent to Rs 13,972 crore and net profit grew by 39 per cent to Rs 2,842 crore. But the highlight was its acquisition of seven small to midsize companies across the IT, engineering and FMCG sectors. With $1 billion (Rs 4,000 crore) cash in its kitty, Wipro is trying to rapidly scale up all its businesses. Even as Wipro morphs into a giant, it has some business demons to quell, appreciating rupee for one.

Wipro is currently seen as a hodgepodge of diverse businesses. Separating these myriad strands and allowing each to grow into separate companies may just be the trick to take 'Group Wipro' to the next level. ■

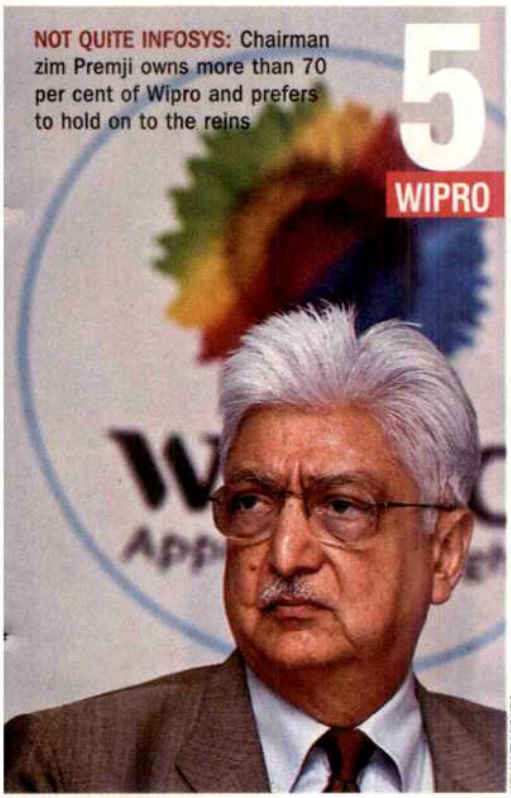
shock and awe

top 10 rankings in this survey. By Feroz Ahmed

EQUAL OPPORTUNITY: Women workers at a Tata Steel plant take on traditional male roles

6 TATA STEEL

TATA STEEL



NOT QUITE INFOSYS: Chairman zim Premji owns more than 70 per cent of Wipro and prefers to hold on to the reins

5 WIPRO

HEMANT MISHRA

100 years of strength

IN its 100th year, the company has one more reason to celebrate: it has jumped 10 places to figure among the Top 10, moving up to sixth position from No.16 in the previous survey. The company, with 2006-07 revenues of Rs 17,552 crore and net profit of Rs 4,222 crore, heaved itself onto the world stage by acquiring Europe's biggest steel maker, Corus. Today it is the fifth-largest steel maker in the world. This huge triumph — an Indian company acquiring a European company four times its size — added much sex appeal to its otherwise stately or, as some would say, 'staid' image. And it surprises no one that the peer perception of the company has risen exponentially.

Tata Steel's best ranking is, as expected, on ethics and transparency. Tatas have historically been seen as the decent folks in the Wild West of India's industrial landscape. The quality of the company's products and services also bagged a big vote of confidence with a No.3 rank. It ranks No.4 on global competitiveness and is the second most competitive manufacturing company after Reliance Industries. At No.8, the company's worst rating comes on innovativeness. But that could change with Corus adding sheen to the steel of this cost warrior.

Tata Steel's marks for sophistication could go up as it enters production of titanium oxide, the material used in making components for aircraft, missiles, etc. Although commodity firms live and die by industry cycles, Tata Steel's reputation will remain strong. ■

BETTING BIG: Microsoft India's Managing Director Neelam Dhawan

AMIT VERMA

7

MICROSOFT INDIA

New vistas

MICROSOFT India's is probably the most dramatic entry into the top 10. A subsidiary of the Seattle-based software behemoth, Microsoft Corporation, it was included in this survey for the first time and has debuted at the seventh place. Microsoft India is key to its parent's growth as the Indian market, alongwith the Chinese, is expected to see rapid proliferation of computer and software usage in the coming years. It has also substantially improved the localisation of Microsoft software to be used in Indian schools and public offices.

The Hyderabad centre of Microsoft India's software operations in India has been involved in developing many of Microsoft's new products for the global market, including its latest operating system, Vista. Still, surprisingly, Microsoft India is rated lower on global competitiveness than Infosys in the top slot and Wipro at the seventh place.

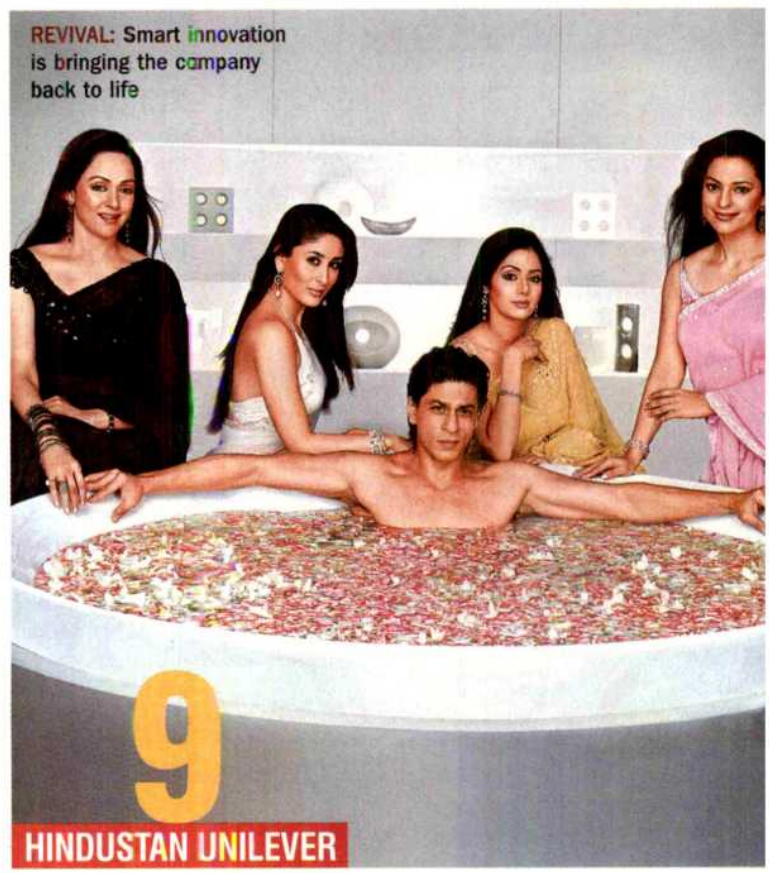
On the quality of products and services, the company was ranked eighth, despite its near monopoly in desktop software. But with the Bureau of Indian Standards refusing to accept Microsoft's XML format for creating web documents as the industry standard, Microsoft could be losing its grip on the software market. Still, Microsoft can count on familiarity of its brand and software to stay ahead. ■

High on ethics

THE promoters' pedigree has much to do with the easy recall and general respect that Tata Motors enjoys. A large customer base that swears by the T-word has kept the company in sound financial health. The company posted revenues of Rs 27,535 crore and a net profit of Rs 1,913 crore in 2006-07, which translates into a growth of 33 per cent in revenues and 25 per cent in net profit over the previous year.

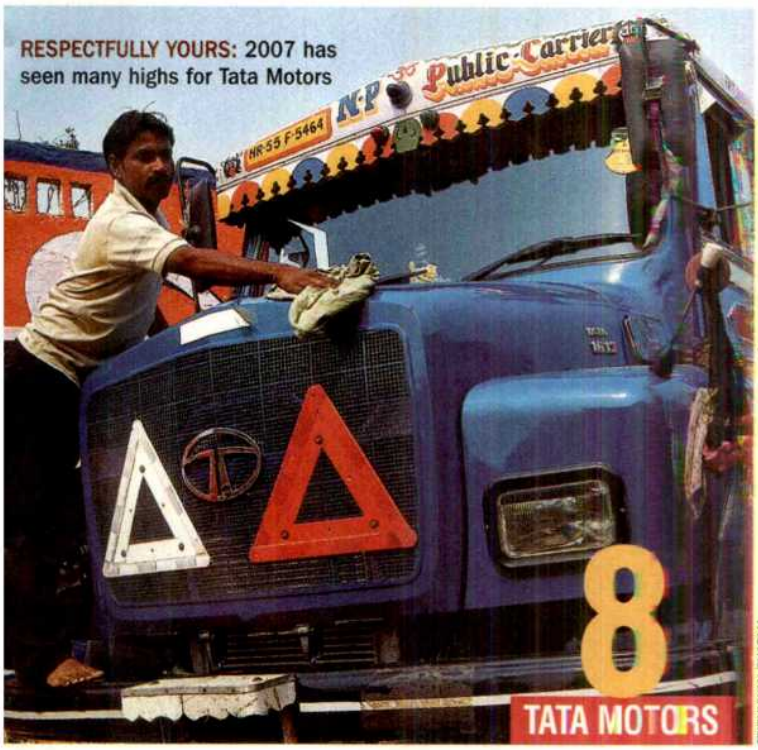
Tata Motors achieved many new highs in sales in 2007: highest ever total vehicles sold — 580,280; highest number of domestic trucks sold — 298,586 and; highest number of domestic cars sold — 228,220. In the process, the company also tightened its grip on India's commercial vehicles market, with its market share growing to 64 per cent from 61 per cent. Its share of the car market, however, stagnated at about 16 per cent. This, could change once the much-hyped Rs 1 lakh car hits the Indian roads.

The mini-car may well revolutionise the Indian car market, but peers would rather see it happen first to believe it. They rate Tata Motors at No. 14 on 'innovativeness', which is the lowest rank the company has got among all the seven parameters of respect. On 'ethics and transparency', however, it is ranked much higher, at No. 5. Maybe, with its Korean commercial vehicles operations stabilising and the bus-making joint venture with Brazil's Marcopolo for global markets taking off, Tata Motors will improve its overall rank in the next survey. ■


REVIVAL: Smart innovation is bringing the company back to life

9

HINDUSTAN UNILEVER



RESPECTFULLY YOURS: 2007 has seen many highs for Tata Motors

TRIBHUWAN SHARMA

Back with a bang

SO, it was not a mere change of name. Hindustan Unilever (HUL), which was Hindustan Lever (HLL) till May 2007, has overhauled its peer perception too. The FMCG major is back in the Top 10 after sinking to a lowly No.17 in the last survey, which was a shocker for a company that had been the most respected company for the first three surveys in the 1980s and had figured among the Top 10 on eight occasions.

The revival in respect has come with a revival in fortunes for this largest FMCG company in India — its sales are four times that of the next biggest company, Nestle India. After a dip in revenues and profits in 2004, the company has hopped back on the growth path. In 2006, its net sales grew eight 8 per cent to Rs 12,075 crore and its net profit jumped 34 per cent to Rs 1,855 crore, albeit with help from an exceptional income of Rs 898 crore.

Still, the best positions won by the company are on the 'people practices and talent management' (No. 7) and the 'quality and depth of management' (No. 8) parameters. On 'global competitiveness', HUL still ranks low (No. 14) for a company of its stature, presumably because it is not seen as much of an exporter despite being part of Unilever. Also, it gets ninth position on 'quality of products and services' despite dominating most of its large businesses — soaps, detergents, shampoos, creams and lotions, and packaged tea. Clearly, market domination and peer respect do not go hand in hand.

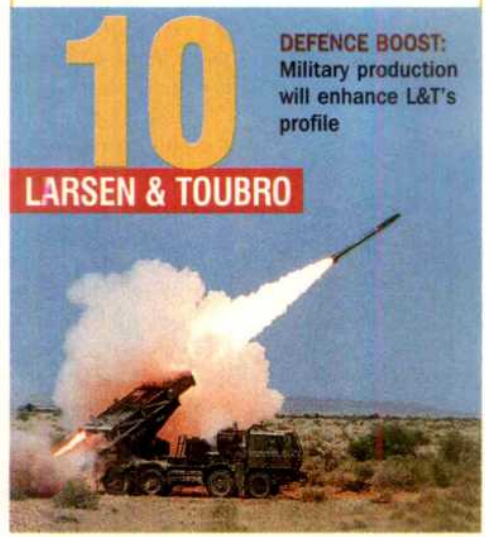
HUL's next big bet for growth is drinking water. The company launched water purifiers for homes in south India in May 2007. If HUL can offer affordable drinking water to the nation, it will have secured for itself a future of plenty. ■

Solid and steady

ALTHOUGH it is not in one of the high-visibility industries — infrastructure companies do not get to brand their products — Larsen & Toubro (L&T) has always been up there in peer recall and respect. The economic boom in the country has been a boon to the company: between 2004 and 2006, L&T's sales rose 51 per cent to Rs 14,833 crore, while net profit went up 77 per cent. Presumably, on the back of its creditable showing, L&T finished at No.10 this year, same as the previous survey.

L&T could have grown even faster had it not had to battle the paucity of quality engineers and production infrastructure — its order book is growing at almost 40 per cent whereas its ability to increase delivery is only half of that. L&T is investing Rs 2,500 crore in 2007 to align its capacity to the demand. Impressive revenue and profit growth has pushed it to No. 8 in terms of financial performance — the best rank the company has secured on all the seven parameters.

L&T slips into a fuzzy zone, even among peers, on 'quality of products and services' and 'innovativeness'. This is probably due to the lack of a branding advantage in construction and engineering. L&T's best years could be ahead as infrastructure spending and corporate capex boom. Its entry into the high-visibility military production business could just be the catalyst it needs to march up the respect ranks. ■



DEFENCE BOOST: Military production will enhance L&T's profile

TRIBHUWAN SHARMA

ZOOMING BY: Tata Motors attempts at redefining the small car market with its Rs 1-lakh car, and in the process, goes up the ranking, while Maruti Suzuki slips five positions in spite of its plan to launch one new car every year till 2010

It is a race between two nimble competitors and there's a lot of driving to do before the finishing line. By Feroz Ahmed

Winning by a nose

A COMPARISON between Tata Motors and Maruti Suzuki is somewhat awkward; one primarily makes trucks, and cars too, and the other only cars. Even so, they compete for top honours in the automobile sector.

After lagging behind Maruti Suzuki in the past three surveys, Tata Motors has finally pulled ahead. It has also improved its ranking by one place, finishing eighth. Maruti Suzuki, however, has crashed out of the elite 10 after finishing sixth and fifth in the previous two surveys.

Though Tata Motors improved its ranking on three parameters, it also slipped on four. Despite this it gained a place to No. 8. Its highest jump was on innovation; five places to No. 14. Its rankings have improved on financials and people practices too. However, it has been thumbed down on quality and depth of management, ethics and transparency, quality of products and services, and global competitiveness.

Maruti Suzuki, on the other hand, skid on all seven parameters. The car czar's biggest ratings reversal came on the quality of product and services — down eight places to No. 11. On the other parameters, it slid three to four places.

The divergence in the ratings of the two companies is quite puzzling, given that both had a very good run in 2006-07. But this race is a long haul and no less interesting for it.

Zip, Zap, Vroom

Financially, both Maruti Suzuki and Tata Motors did exceedingly well. Tatas' net sales grew 33 per cent to Rs 27,535 crore and net profit rose 25 per cent to Rs 1,913 crore. Maruti also pushed its net sales up 21 per cent to Rs 14,592 crore and the net profit up 31 per cent to Rs 1,562 crore.

Both sped ahead of the competition on unit sales and market share as well. In fact, Tata Motors ended this lap with some commendable

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highest-evers — sales of a total of 580,280 vehicles for one. It also kept its iron grip on the country's commercial vehicles market, driving up its share from 61 to 64 per cent. In passenger vehicles alone, however, Tata Motors' figures are a third of Maruti's.

Maruti Suzuki too posted the highest ever car sales of 674,924 units. Almost unbelievably, Alto, Maruti's popular small car, sold more than all the cars sold by competitors.

Both companies hung on to their market shares — Maruti at 55 per cent and Tata Motors at 16 per cent — and both improved unit sales by 20 per cent, though Maruti's increase, on its much larger sales base, is more creditable.

There's Something About Maruti

What is baffling about Maruti's ratings in this survey is the way its 'quality of product and services' ranking has gone into a tailspin, all the way from the second to the tenth place. Maruti Suzuki is known for having the most extensive service network among all Indian car makers, with 2,450 authorised service points in the country. Have their standards slipped? Or did it pay the price for dragging its aging sedans, Esteem and Baleno, too far. Nevertheless, the carmaker still has its backers. According to Vaishali Jajoo, auto researcher and analyst at Angel Broking, Maruti's technological finesse, automobiles pedigree, and larger sales and service network gives it a clear edge over Tata Motors in the car market.

"Maruti's grip on the Rs 2 lakh to Rs 8 lakh cars market is unshakeable at the moment because it offers a vehicle at every price point in this range," Jajoo points out. Also, while Maruti's cars are popular with middle-class families, Tata Motors' automobiles are seen as commercial vehicles. Tatas' hatchback Indica, its sedan Indigo, the SUVs Sumo and Safari, are all used more as taxis and less as personal vehicles.

Maruti's fall on innovation to the eleventh place from the eighth is also surprising, given the fact that over the last year and half it has launched many new cars, including Swift and Estilo and entered the diesel cars market.

The Truck With Tata

By comparison, Tata Motors' came up trumps with its new mini-truck, Ace, which has sold nearly 200,000 units since its launch in mid-2005. It may have contributed to the company's ranking on innovation to the 14th place from the 19th.

While Tata Motors may not be seen as a pedigree carmaker, its trucking credentials are impeccable. In fact, it is the only diversified automaker straddling almost every segment of the automobile industry. It sells nearly three-fourths of the 12-16 tonne trucks, half the 16-24 tonne trucks, and nearly 98 per cent of the 25-35 tonne trucks. According to Swapna Kamat, auto researcher and analyst at Pranav Securities, Tata Motors' hegemony over the truck market has no visible challenger whereas Maruti is set to face an onslaught on its domain of small cars from 2009 onwards, as Renault, Volkswagen, Toyota and Honda prepare to enter that segment. "If the economy continues to grow at a healthy rate, Tata Motors will be a big beneficiary, as commercial vehicle sales normally move in tandem with economic growth," she says.

However, dwindling sales in some categories have both Tata Motors and Maruti on the defensive. According to Society of Indian Automobiles Manufacturers' data, Tata Motors' sale of trucks weighing more than 25 tonnes has taken a big hit in the in the April-June quarter of 2007. It sold a modest 25 super-heavy trucks compared with 3,343 units sold in the first quarter of 2006. That, according to Jajoo, happened because last year the company benefited from a Supreme Court order calling a stop to overloading of trucks.

Maruti too has suffered setbacks in its bread-and-butter segment: sales of compact hatchbacks dropped 17 per cent to 91,450 units in the April-June 2007 quarter. But that's just a blip, according to Kamat, who believes interest rates have peaked and are ripe for a fall now, which will push up truck and car sales once again.

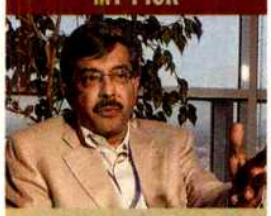
Photo Finish?

In any case, the Tata Motors-Maruti rivalry is likely to rev up over the next year or so. Tata has launched Magic, its four- to seven-seater version of Ace. It will take on Maruti's Omni van, which accounted for about 10 per cent of Maruti's 674,924 unit sales in FY2007. Then, there is the Tatas' big little gamble, the Rs 1 lakh car, which plans to redefine the small car market and pull the plug on Maruti's 25-year-old entry-level car, the Maruti 800.

Tata Motors is also working on new cars based on its Indica and Indigo platforms to challenge Maruti in the Rs 4 lakh-8 lakh car market. Maruti, meanwhile, is trying to stay ahead of the competition by investing Rs 9,000 crore in taking its capacity to one million cars by 2010, and the launch one new car each year along the way. Its latest car, SX4, launched in May, has proved quite popular.

Like other legendary rivalries, this one is unlikely to be challenged any time soon. However, the automobile space is getting crowded, particularly with cars. General Motors, Ford, Hyundai, Honda and Toyota are inching down the price chain and newcomers such as Renault, Nissan, Volkswagen and Volvo are joining the fray. This race is far from over. ■

MY PICK



"The Tata Group, because they are running ahead of the competition in every sector"

Pramod Bhasin, CEO, Genpact

MY DREAM COMPANY

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Anshul Agrawal, IIM Kolkata

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Fierce competition from other banks demands HDFC Bank square up and fight back. By Raghu Mohan

A fall from grace

UNTIL a few years ago, HDFC Bank would have taken great pride in being the proverbial good guy of India's private sector banking, but maybe, it has now begun to wonder if good guys always finish second. It has been consistently counted among the best banks in the country, and any mention of its name invokes respect.

Aditya Puri, the bank's managing director and chief executive officer, has never chased volumes or market share; 'profitable growth' has been Puri's mantra all along. He does not enjoy being compared to rivals (read ICICI bank) who keep harping on about their size and volumes.

The Big Slide

Over the years, the bank has been consistently praised for setting standards. Which is why it surprises many that the bank has dropped out of The Top 10 of *BW*-IMRB's Most Respected Companies opinion poll.

Although the slide from No. 8 in 2006 to No. 15 in 2007 bewilders some, HDFC Bank has kept its chin up. It comes in at a respectable number three, behind ICICI Bank and Citibank, in the banking sector. In volumes, ICICI Bank is the largest, followed by HDFC Bank and Citibank.

Compared To The Rest

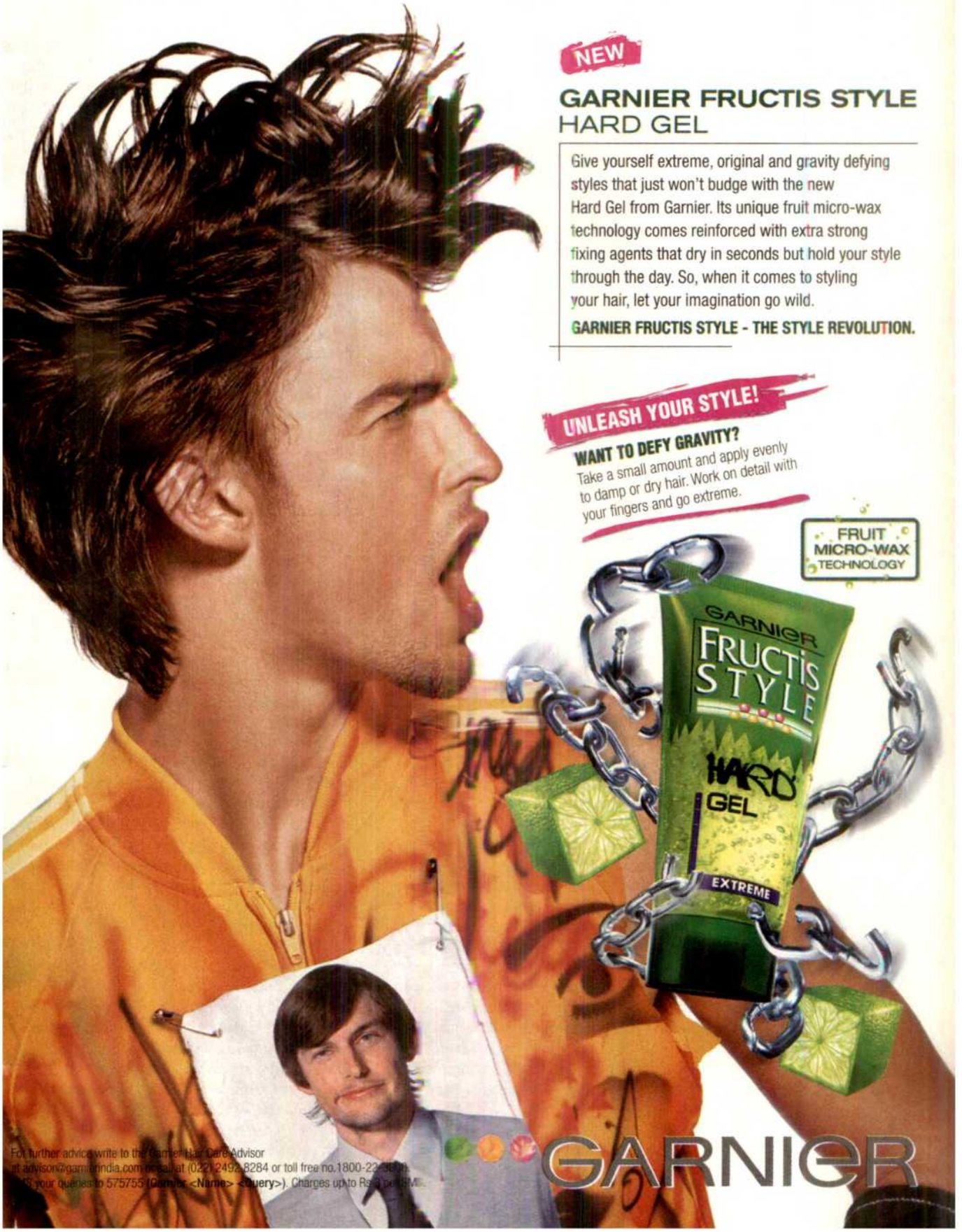
Unlike HDFC Bank, its fiercest competitor, ICICI Bank, has always followed an aggressive, grow-at-all-costs strategy. Volumes and market share are its priorities. ICICI Bank helmsman, K.V. Kamath's ambition is to make it the first global bank out of India as evidenced in the laying of cross-border foundations to build this superstructure.

For all its global clout, Citibank has struggled with banking regulations in India, which do not allow it to really flex its financial muscle. Yet the US-based bank gives its peers and local upstarts stiff competition.

HDFC Bank, on the other hand, has always played the game differently. It has never been in your face, and it has always taken pride in being customer-friendly. The image of a 'homely bank' has been nurtured with great effort over the years.

So, what explains HDFC Bank's fall from grace? Especially when there are others in the

DULL GETS DARING!



HDFC Bank: In ICICI's shadow

	HDFC	ICICI
Credit cards	2.91 million	7.65 million
Debit cards	4.13 million	11 million
Retail assets	Rs 28,327 cr	Rs 1,29,281 cr
Branches	684	755
ATMs	1,605	3,271

Source: Company reports

field who are limping: Centurion Bank got a new lease of life only after Rana Talwar of Sabre Capital stepped in; IndusInd Bank has its share of problems; even ICICI Bank has its detractors, who feel the bank is growing way too fast to remain safe.

Perhaps, the answer is to be found in the brace-up acts of its competitors. While HDFC Bank's financials are no reason to fear that the bank is on a downslide, it's probably being 'sorted out' by competitors. State-run banks are no longer the pushovers they used to be, and it's clear that by cleaning up their acts, they are shrugging off the image of being non-performing slow movers.

Understanding The Banking Landscape

It is also important to remember that banking penetration in India is extremely skewed. It is the top 20-odd banking centres that bring in the moolah, and getting it right in these places gives a bank a huge multiplier effect in the perception sweepstakes. And this, in turn, can be leveraged to gain market share elsewhere. Just look at the manner in which two relative upstarts, Kotak Mahindra Bank and Yes Bank, have captured mindshare.

Add to this the fact that the country's financial landscape has changed dramatically over the past decade. Take Citi, for instance. It is no longer the aspirational brand it once used to be. Sick to the gills with the poor customer orientation of PSU banks, the well-heeled were only too happy to switch loyalties. The pent-up demand for a new-generation banking experience ensured that Citi had a dream start. But over the years, the sheen has worn off. There is nothing to even remotely suggest that in the realm of retail banking, a foreign brand has a guaranteed hold on customers or a permanent sway over its *desi* counterparts.

That explains why despite figuring among the top banks in the sectorwise rankings (see *BW*, 'India's Most Respected Companies' 9 April 2007) at No. 2, No. 4, and No. 5, respectively, Citi, HSBC and Stanchart have slipped in the overall ranking to a rather embarrassing No. 25, No. 43 and No. 48. The lesson here is that a USP today becomes a replicable commodity tomorrow. A big selling point for HDFC Bank in its early years was that it offered 'world-class service'. The product and service offerings that made it 'world-class' then are the default setting for the industry today, and even newbies offer the same bundle with the same bells and whistles.

HDFC Bank has also lost a few key people. The biggest loss was that of its retail head, Neeraj Swaroop, who now heads Standard Chartered's India business. Losing a few people to the competition is part of the game, and should ideally not rock a professionally run entity. But HDFC Bank probably missed a trick in not building enough bench strength at the right time. Besides, as a bank grows, the skill-sets required to keep up the momentum change, and HDFC Bank probably lacks in the ability to handle volumes. The result: a drop in standards. Suddenly the warts begin to show and your friendly neighbourhood bank no longer looks so good.

A Focus On Banking

Now, let's zoom out and look at the bigger picture. Many overlook the fact that the banking sector is the most regulated in the Indian economy. In other sectors, companies are by and large free to chart their own course and formulate their own business strategies. But the free-market space in banking is rather limited in comparison to the manufacturing sector, where a company can decide how much it will produce, and to whom it will sell at what price.

In a continent-sized, capital-hungry country like India, it is perhaps foolhardy to dream that you can shrug off these regulatory entanglements in a hurry. State-run banks still account for about 80 per cent of the banking industry in India. When somebody pipes up that a batch of foreign or home-grown private banks have set fresh standards in banking products and services, it needs to be borne in mind that the bar was quite low to begin with. It still is, if you look beyond the big cities.

The perception sweepstakes are a different ballgame, however. In that game, the base level of product and service offerings has moved up several notches. And a Yes Bank or a Kotak Mahindra Bank have apparently got everything that a relatively pedigreed HDFC Bank has to offer. In this limited-scope market, HDFC Bank does not possess the edge of a standard-bearer. It can ill-afford to sit on past laurels, and must innovate with perhaps ungentlemanly aggression. ■

MY PICK

"Infosys has to be right up there because of its great work ethic and employee development"

Amit Burman, Vice-chairman, Dabur

MY DREAM COMPANY

"My dream company is Nestlé India. Its HR policies and work culture are in a league of their own"

Ankit Chauhan, FMS, Delhi

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MODDUS / 624

RELIANCE INFOCOM

NERVE CENTRE: Reliance Communications' headquarters at National Network Operating Centre, Mumbai

Bridging gaps between compelling reality and towering ambition — the journey of Anil Ambani's RCOM. By Baiju Kalesh

A long road ahead

LOSING is painful. But watching your rival thrive is pure hell. And so with the reluctance of an ace sprinter unfairly beset with arthritis, Anil Ambani's Reliance Communications settles into 16th place. To make things worse, bitter rival Bharti Airtel has shot up the rankings to second place. Anil Ambani has many daunting miles to go before he addresses his shareholders with the cocky assurance of a Sunil Bharti Mittal, or estranged big brother Mukesh, let alone give these adversaries sleepless nights. Life isn't easy for this middle-aged man, in a hurry.

To be fair, the younger scion of the Ambani family may not have had enough time to transform the second largest, and the second most valuable, telecom company into a dynamic, globally competitive and ethical organisation. and yet, in the 15 months since he took charge, Anil has never failed to reward his 2 million shareholders.

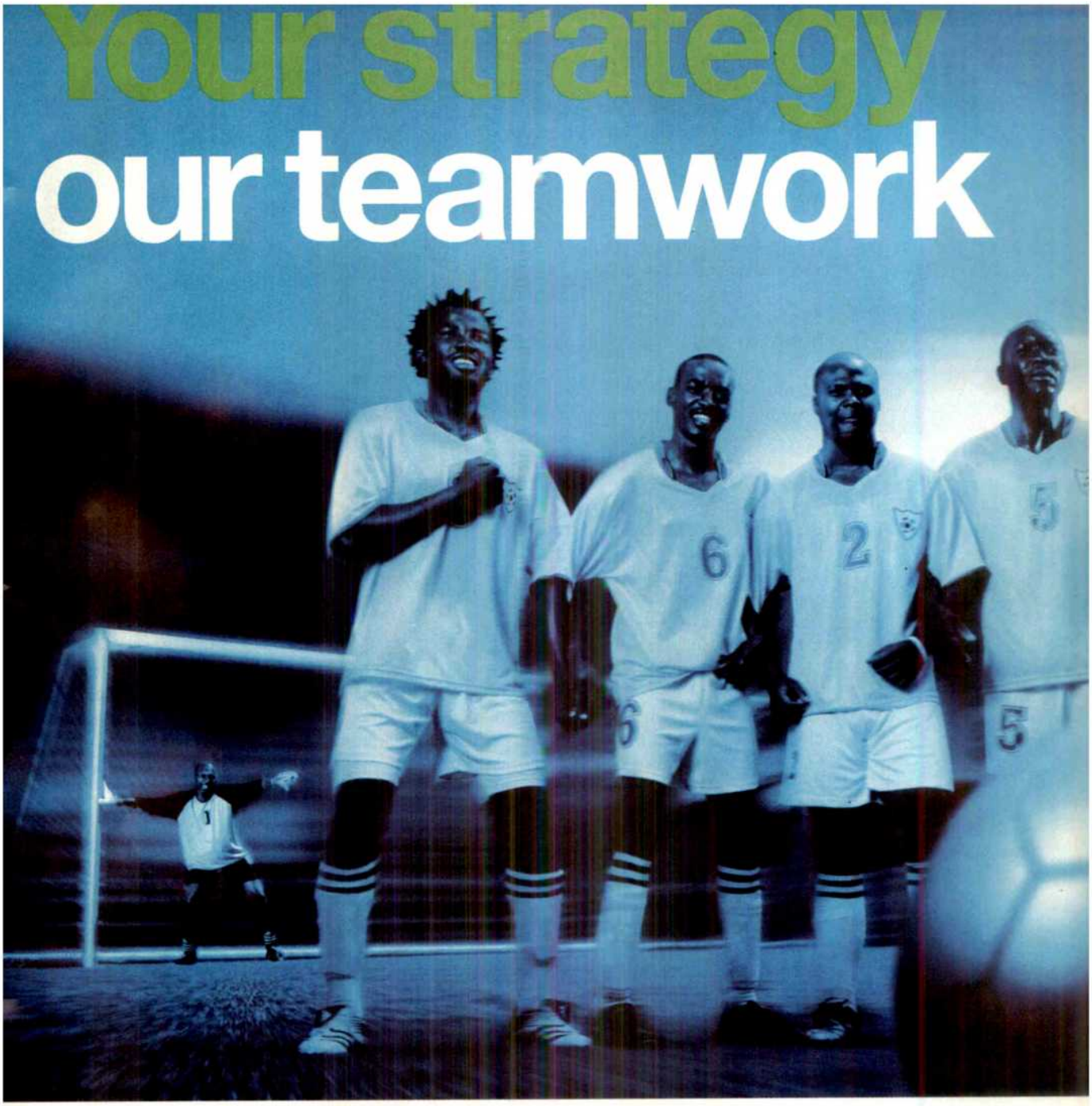
RCOM's market capitalisation, an indicator of shareholder wealth, jumped more than three times to Rs 1.17 lakh crore from Rs 37,000 crore within one year. Shareholder wealth leaped to Rs 80,000 crore, adding a whopping Rs 300 crore a day to the already rich treasure chest. RCOM also paid a maiden dividend of Re 1 a share.

Finally, it's the returns to shareholders, a crucial parameter in judging a company, that has pushed RCOM ahead of its rivals — Tata Teleservices, Hutch (now Vodafone Essar), and state-owned Bharat Sanchar Nigam (BSNL). Still, it trails way behind chief adversary Bharti Airtel in both the sectoral as well as the overall ranking.

Home And The World

Bringing in around 35 million customers in services ranging from mobile telephony to internet services, Anil has proved to be his father's son.

Your strategy
our teamwork



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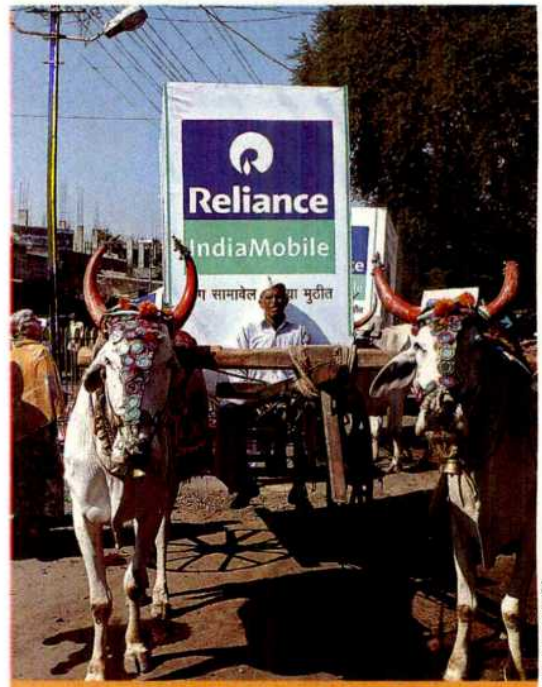
RCOM became one among only five companies to post Rs 1,000 crore profit in a single quarter (April-June 2007), a goalpost that Bharti Airtel reached in five years.

A graduate in finance from Wharton, Anil applied what he learnt at the management school. He stayed focused on strengthening RCOM's balance sheet, wrote off Rs 5,000 crore as losses, simplified the complex shareholding structure, and filled up his till before the Reserve Bank of India disconnected external commercial borrowings.

Besides, the Anil Dhirubhai Ambani Group's chairman continues to connect well with foreign investors. He raised $1.5 billion (Rs 60,000 crore) by issuing foreign currency convertible bonds at zero interest. A later billion-dollar issue was lapped up by overseas investors in an unbelievable two hours.

Anil has told his shareholders that the company's debt leverage is negligible, and that it can go up to Rs 50,000 crore any time. Indeed, he has ample resources to meet his planned Rs 16,000 crore investment in the ongoing financial year. RCOM plans on expanding to 10,000 towns and 300,000 villages, covering 60 per cent of the country's 1.06 billion population. In the past four years, the company has invested Rs 32,000 crore in laying switches and cables across the country.



HEMANT MISHRA

NO BULL TALK: RCOM to network 60% of India

Crossed Wires

But all lines on this route are dicey. As the focus shifts to the rural market, price and affordability are crucial to growth. So far, Anil has played it well by the ear. The company's Rs 100 rechargeable vouchers, a classic brand of handsets at Rs 777 and coloured ones at Rs 1,234, have all been well-received.

On the global front, Anil is setting up Falcon New Generation Network (FNGN), which will eventually connect 60 countries and 80 per cent of the world's population. When completed, RCOM will have the largest submarine cable network, spanning an impressive 115,000 kilometres. Besides, RCOM is expanding its enterprise business in the US market as well. The company has already acquired Yipes Holdings, a leading specialist data communications provider in the American market.

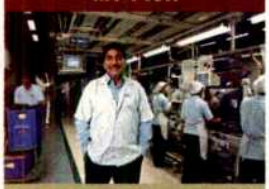
Anil Ambani's financial acumen could bring his shareholders rich dividends by unlocking value in each vertical of RCOM. He has already sold a five per cent stake in the Reliance Tower Company, which makes telecom towers that carry wireless signals to a group of foreign financial investors, for Rs 1,200 crore. In June, he promised his shareholders to list this company and is working aggressively to build more towers, planning on taking their total number from the current 14,000 to 23,000 this year.

Catch Me If You Can

As FNGN nudges closer to completion, unlocking of value by a similar exercise is in the offing for FLAG Telecom, either through an international offering or private placement. Anil is also following in his brother's footsteps to develop a special economic zone (SEZ). He has already received the clearance to convert the 132-acre campus at Dhirubhai Ambani Knowledge City in Navi Mumbai, which houses the ADAG's telecom business, into a SEZ for IT and IT-enabled services.

The current year can be one of many hurdles along with great leaps for RCOM. The market leader Bharti Airtel is growing at a faster clip than RCOM. Over the past nine months, while Bharti Airtel added, on an average, 2 million subscribers a month, RCOM managed only 0.55 million. Obviously, RCOM will have to run faster to finish better this year, both in the domestic and the international market. If RCOM can pull that off, it will make the enterprise as agile as its chairman, who is working hard at sending out the right signals. "We have plans to expand our footprint in the global market," he declared, and followed it up with the best efforts. RCOM aspires to be among the top five telecom providers in the world. But first, the home run. ■

MY PICK



"Nokia, due to strong customer orientation and a product range that caters to the entire user spectrum"

Ravinder Zutshi, Dy MD, Samsung India

MY DREAM COMPANY

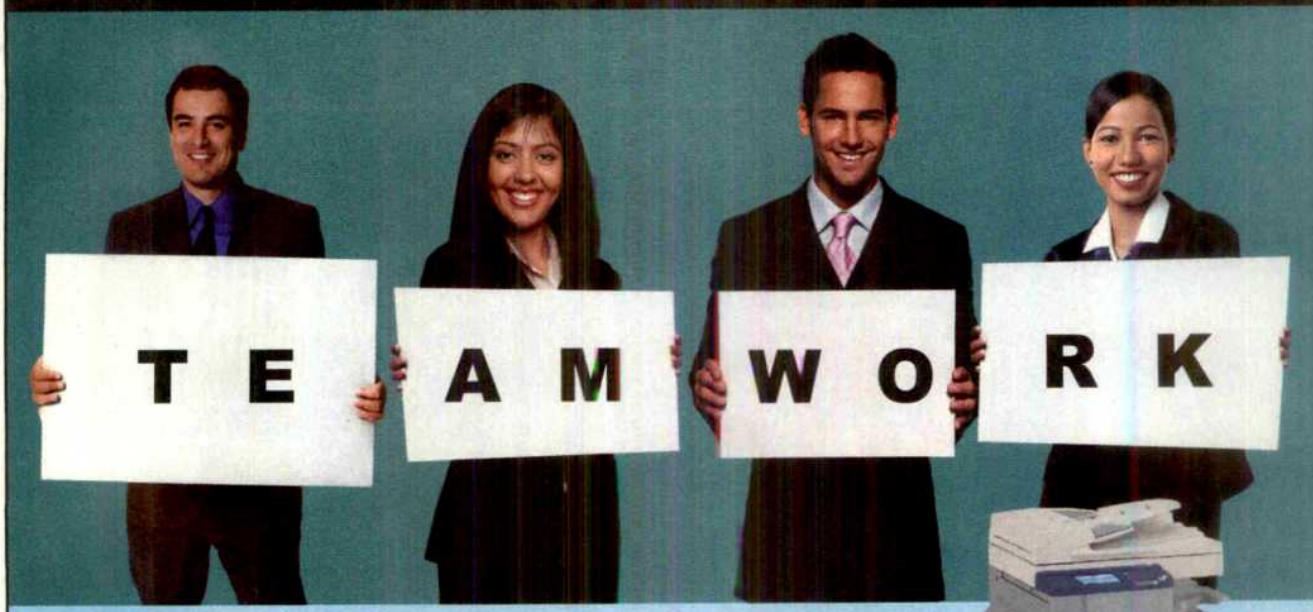
"Citibank India's futuristic vision makes it my pick. It offers great opportunities for a challenging and satisfying career"

Ritushree Sarda, IIM Indore

10 Delightful Years

Canon

Delighting You Always



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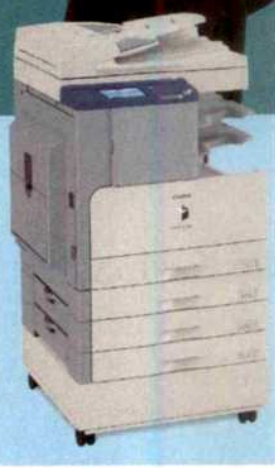

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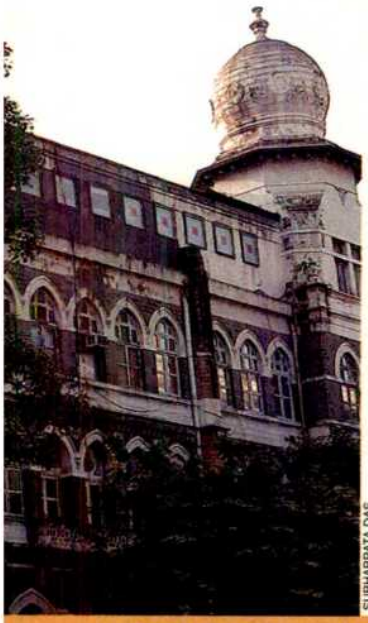
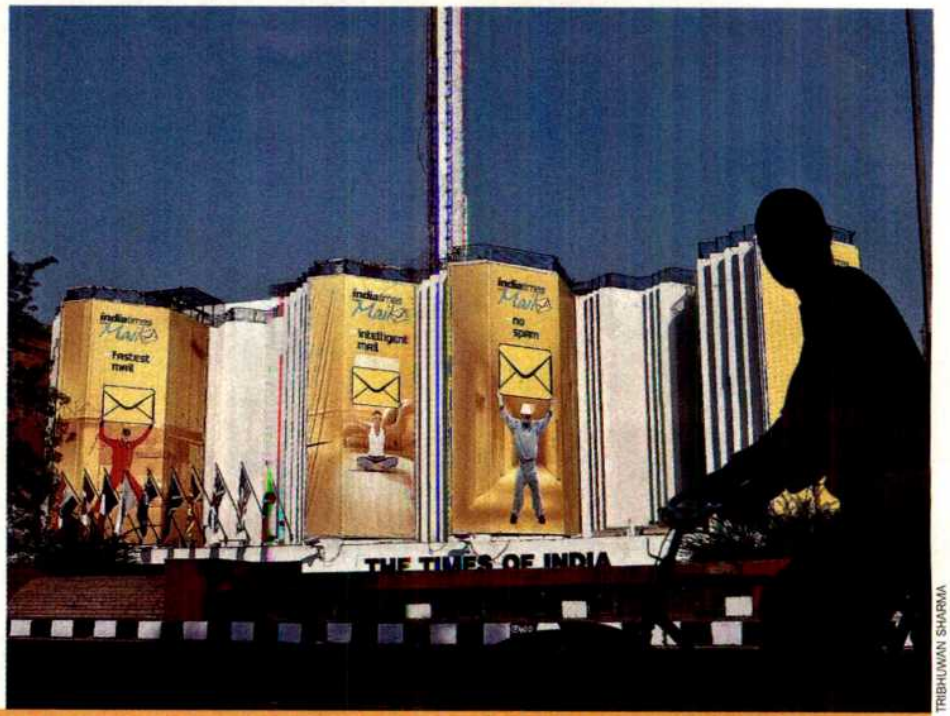

SUBHABRATA DAS



TRIBHUWAN SHARMA

THE HOT LADY OF BORIBUNDER: *The Times Of India*'s old Mumbai office (L) and its Delhi office

Media leviathan Times Group is quick, nimble, and changes colours fast.

By Gurbir Singh

Ahead of the times

ON the first floor of the Old Lady of Boribunder, the whimsical name by which the heritage headquarters of India's least lady-like newspaper juggernaut is known, is an old Linotype machine. This quaint antique reminds all of the astonishing leaps made in more than just printing technology. Sometime in the mid-1980s, hundreds of these machines were junked to make way for a revolution in computerisation and, in the mother of surprises, economics.

At the end of that decade, Bennett, Coleman & Co (BCCL), the holding entity for the Times Group, eased out its professional managers and returned the company to family leadership. Vineet and Sameer Jain, the two sons of promoter patriarch Ashok Jain, took over as managing director and vice-chairman, respectively. In direct consequence, the closely held company's revenues rose nearly fourfold in a little over a decade.

BCCL's annual return on investment of over 25 per cent puts it among the most profitable enterprises in India. Although the company's balance sheet is not available, estimates put BCCL's FY07 profit after tax at Rs 800 crore. FY08 could well see the company clock Rs 1,000 crore. "Our immediate target is to become a billion-dollar company, and we like to double our revenue every three to four years," said Ravi Dhariwal, CEO (print), BCCL.

The company achieved an overall ranking of No. 26 among the 71 companies that lead India's corporate world. Setting trends that give short shrift to tall claims by contenders, BCCL tops *BW*-IMRB's survey of the most respected companies (MRC) in media and entertainment.

The Leader Takes It All

The last decade and a half in the Times Group's considerable history has been a headline-grabbing blitz. Crucial departments of advertising, circulation and editorial have been revamped

beyond recognition. Nothing remains sacred, least of all the line that divides editorial content from ad space. "The church and state divide between edit and marketing is old fashioned and dead," said Arnab Goswami, editor-in-chief, Times Now, recently at IIM Bangalore. Even as shocked observers lamented that the Old Lady was now a harlot, the Jains fortunes' went into fast forward.

In an age that has belonged more to electronic media, mainly television and the internet, BCCL built new brands in print, even as it ruthlessly eliminated products like *The Illustrated Weekly of India, Evening News, Science Today* and even *Indrajal Comics*. They were discontinued not because they were not profitable but because they were not profitable enough.

The Times of India (TOI) was founded on 3 November 1838 as the bi-weekly *Bombay Times and Journal of Commerce*. Daily editions of the paper were started in 1850 and, by 1861, it had been renamed *The Times of India*. It was after India's Independence that the Dalmiyas bought the paper, and later Sahu Shanti Prasad Jain of the Sahu Jain group from Bijnor, Uttar Pradesh took it over. The group also launched *The Economic Times (ET)* in 1961, now India's largest selling business newspaper with a daily readership of 7.74 lakh. Other publications like the Hindi morninger *Navbharat Times*, and the regional daily *Maharashtra Times*, followed.

In recent years, the Times Group's diversification has included the zany FM Radio Mirchi, the listing of its holding company Entertainment Network, the events company 360 Degrees, the Times Music label, the Planet M music store chain, the indiatimes portal, and a joint venture with BBC Worldwide for a clutch of magazines. Leveraging the Times brand to penetrate new markets, The Jains have spun off several subsidiaries including two JVs with Reuters and BBC Worldwide.

But BCCL kept out of one big opportunity till recently — television. "We saw it (TV) as a volatile, sometimes unstable, medium requiring discretion," says Times' Dhariwal. A 'correction' was made with the launch of news channel Times Now, and the lifestyle channel Zoom, but it might be difficult to cover lost ground.

It's An Ad Ad World

The Times Group's phenomenal growth has been authored by the Jain brothers' aggressive strategy of maximising ad revenues. Leveraging *TOI*'s monopoly in Mumbai, ad rates in the early 1990s were increased fivefold, making space in the flagship newspaper 10 times as expensive as its nearest competitor, *The Indian Express*. Media pundits hollered doomsday but the *TOI*'s blanket reach made sure advertisers bowed and fell in line.

BCCL was also the first to monetise its multi-edition, multi-city empire in ad wars. It trashed the traditional rate-card-for-every-edition in favour of a combo strategy that offered advertisers heavily discounted options, which grouped strong centres like Mumbai with fledgling editions. The whole ninety yards started with the now legendary 'Mastermind' package that went on to become 'Maximiser', offering bundled ad space across different group publications such as *TOI*, *ET* and *Navbharat Times*. This was followed by 'Maximiser II', which included supplements and niche periodicals like *Brand Equity, Times Property* and *Education Times*.

Soon enough, no advertiser's media plan was complete without the *Times* as competitors bled, BCCL became the most profitable media company in the country. "Our success lies in offering solutions to the advertiser and not just selling advertising space," says Dhariwal. "We were the first to offer innovative pricing with packages like Mastermind and Maximiser. In the latest strategy of private treaties, we offer small companies with limited budgets high visibility in exchange for equity."

Another masterstroke was to charge advertisers on the basis of square centimetres instead of column centimetres. Offered as a precise measure for the changing shapes and sizes of ad insertions, it made the advertiser pay more in the long run.

The Newsmaker Makes News

"The Times is completely consumer-focused; they beat the pants off everybody else, says Meenakshi Madhvani, managing partner of media audit firm Spatial Access. "Take its 'Lead India' Campaign. It understands that people are looking for icons that are not politicians. I don't agree with some of its editorial policies, but Times understands trends first."

Traditional wisdom seeks revenue from both the cover price and ad sales. But BCCL debunked this too. It slashed *ET's* price from a high of Rs 5 to Rs 2 in 1992-93 pushing its national circulation to nearly 500,000 and demolishing competition. Similarly, when Times of India took on Delhi market leader *Hindustan Times*, it created a media scandal by cutting its price to Re 1. Pricing as part of market strategy worked and it finally overtook *HT* in Delhi by the beginning of 2007. In the process, BCCL turned *TOI* and *ET* into unputdownable advertising vehicles.

"With the launch of DNA and other titles, the market has become more competitive. It has also resulted in our products becoming more reader-friendly. The media industry has grown, but we have grown faster than the industry," says Dhariwal. The Old Lady never looked hotter. ■

MY PICK

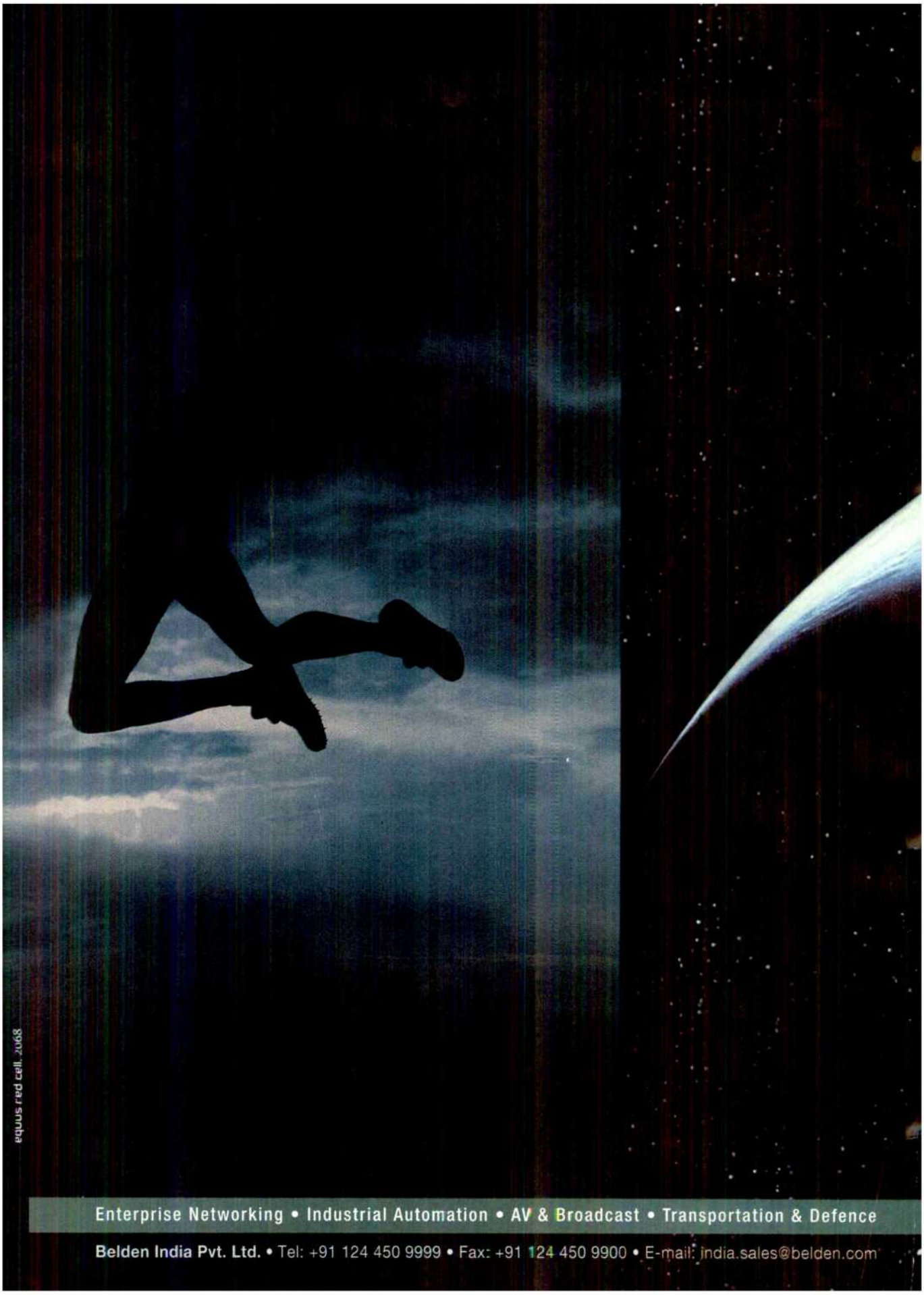
"Bharti Airtel clearly stands out as one of the most respected firms in the country"

Ashish Bharat Ram, MD, SFR

MY DREAM COMPANY

"Titan Industries would be ideal as it is a place where marketing is practised in its purest form. The Tata association also matters"

Ishani Behari, NMIMS, Mumbai



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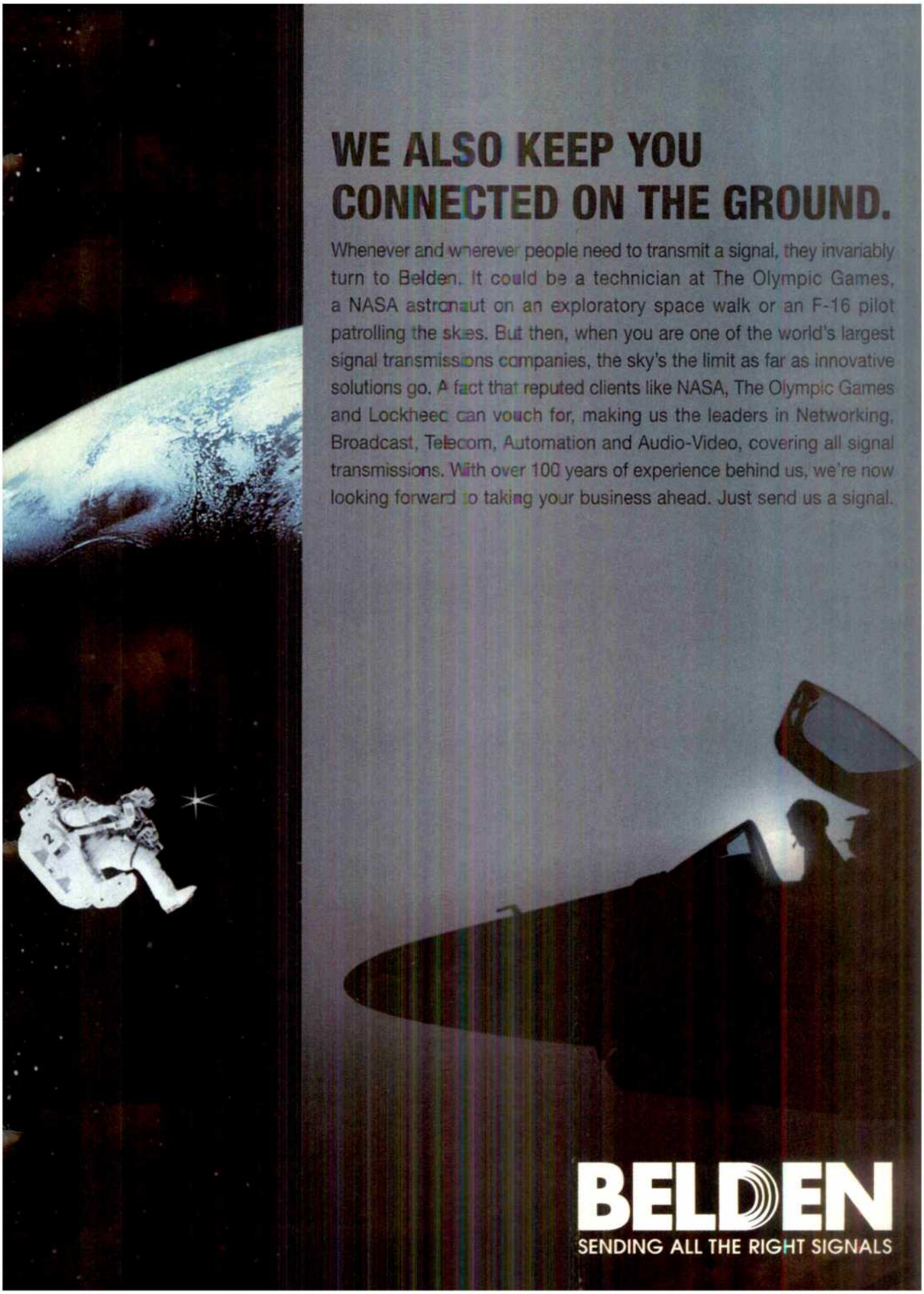
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ON THEIR FEET: Smart thinking like in the ad above has got Kingfisher larger market share

It's not Vijay Mallya's flamboyance alone that has Kingfisher Airlines flying high.

By Puja Mehra

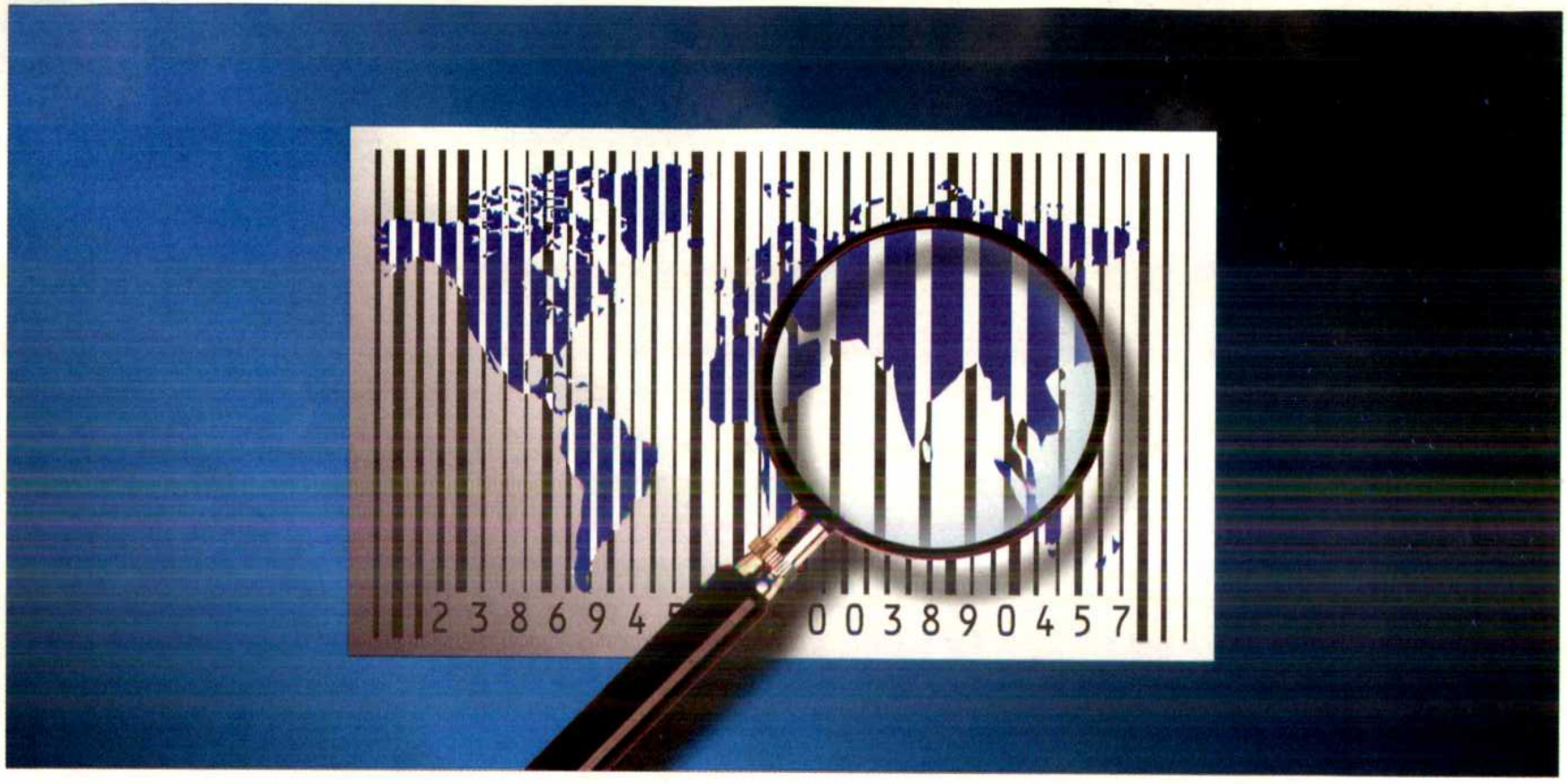
Flying colours

ON first look, 29-month-old Kingfisher Airlines seems an extension of its flamboyant owner, Vijay Mallya's personality. The airline has a yuppy-ish motto and is a riot of vibrant colours. It was "gifted" by the yacht-cruising liquor baron to his son and successor Siddhartha on his 16th birthday.

But there seems more to the airline than a rich man's impulsions. There's a method in the apparent madness.

Airlines are usually run as transportation businesses. India's national carriers could well have been transporting cargo for all the interest their cabin crew took in the clientele before Jet Airways chartered a new course in 1993 — setting the stage for the airline industry to transcend basal transportation of travellers from one point to another. With refreshing service and its fabled punctuality, Jet won hearts — especially those of frequent business flyers — and the largest slice of the Indian air-travel pie.

Kingfisher took only a little over two years to stun both Jet and critics. It is winning both hearts and market share at a pace faster than any other airline in India. At the time Mallya was preparing for take-off, Jet held 45 per cent of the market. Last month, that nosedived to 22.7 per cent. Kingfisher, on the other hand, made a steep ascent from a little over two per cent to a nice 13 per cent during the same period. A Mumbai-based analyst says, word from Kingfisher is that revenues from the airline are already ahead of other businesses in the parent UB Group. No wonder Kingfisher makes a debut in the *BW*-IMRB Most



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Respected Companies' Survey at number 12.

At the time of its launch in May 2005, the product seemed out of place. There was a stampede in the Indian skies for setting up low cost carriers — thanks to the coup by the no-frills Air Deccan, 46 per cent of which the UB Group now owns. Wannabe-Richard Branson, Mallya imbued luxury and oomph into Jet's successful business plan to model his airline. Discounted fares be damned. The passenger is the new Maharaja at Kingfisher. The airline's users aren't passengers or even customers. They are guests. "At Kingfisher, 'passenger' is a bad word," avers head of marketing, Vikram Malhotra.

Valets greet Kingfisher 'guests' on their arrival outside the terminals and offer help with bags and check-ins. Because not every one wants to click away at notebooks or smoke and drink while waiting to catch a flight, the Kingfisher lounges have X-boxes. "In two years, the airline has carved its niche in the full-service airlines market space in India and challenged existing players in a big way," says Ramki Sundaram, CEO, Air Deccan. The airline's attempt, at every step, is to transition from transportation to hospitality. Its endeavoured USP: delivery of a superior experience.

That though, is often confused with the flamboyance of its owner. The shortness of skirts and smallness of waists matter, scoffs a critic of Kingfisher Airlines. "That airline 'flies' on its young flight attendants appearance," she carps. Truth is, Kingfisher is designed to give wings to the rising aspirations in the cities fuelled by growing incomes. It capitalises on the upwardly mobile "have money, will spend it" mindset. A top honcho at a staunch rival says, "We are rattled. Kingfisher is filching our corporate customers."

How did Kingfisher fly so high, so fast? Especially, since there isn't all that much that distinguishes it from Jet Airways — till recently not even the aforementioned hemlines (Jet has just switched to trousers and below-knee length jackets for in-flight uniforms). Both target high-end flyers with new aircraft, smart flight attendants and punctuality. Boards of directors of both are resplendent with former heads of top global carriers. And yet, without being fundamentally different, Kingfisher is reaping rich dividends. The clincher is a string of innovations such as its personalised in-flight entertainment (IFE) and service.

For instance, the airline gives away a brand new white Arrow shirt to any 'guest' who happens to spill and stain his clothes. IFE is its single largest US; even its competitors are feeling the heat to follow suit. Meanwhile, Kingfisher has introduced live television on board. That is something that only two other carriers in the world — Emirates and Jet Blue — offer. "I can watch sports live and even keep track of stock quotes," says frequent flyer investment banker Rajan Mehta.

True, Mallya does things kingstyle. The Cabinet is still split on letting private domestic carriers fly overseas. Yet, he has announced international flights. Unmindful, he was checking out the airports in the US for these operations, last month. Kingfisher plans to connect the Indian IT hub, Bangalore, to its lodestone, San Francisco on what many believe will be a winning route. Fructifying plans will need him to get out-of-turn government clearances. Something that has been Jet Airways Chairman Naresh Goyal's forte. But Mallya hasn't fared badly. At a time when all airlines, including Jet, were jostling for space at the choked metro airports, Kingfisher struck a Rs 100 crore deal with Indian Airlines to share its exclusive terminal at Delhi. That got his passengers a superior experience and his airline crucial savings.

Dodging Air Pockets

To keep close tabs on costs, the airline relies heavily on automation. It has achieved 100 per cent e-ticketing, according to International Air Transport Association (IATA), which saves printing, transportation and storage charges, and costs of setting up an establishment. Jet still sells only 84 per cent and Indian 64 per cent of its tickets electronically. Kingfisher, like its flight-attendants, is lean with barely 117 employees-per-aircraft and a goal to pare that to 100 as the fleet grows. The ratio for Jet Airways is about 175.

The Kingfisher-Air Deccan combine is looking at a revenue of Rs 20,000 crore by March 2011. Shared infrastructure and better deals from common vendors could save them Rs 300 crore this year. They anticipate Air Deccan will break even by the end of the current fiscal. Kingfisher won't at least until the first half of the next financial year. They hope to cut to half its 2006-07 losses of about Rs 400 crore this year. By last July, it had reportedly taken on cumulative debt of nearly Rs 1,000 crore. Plans of hitting the stock-market with an IPO stand postponed. There is some talk of roping in some private equity from the likes of Cerberus Capital, TPG and Blackstone to ease of the pressure, though.

After employees check in to Kingfisher, they usually don't check out any time soon, despite the high churn rate. The management includes executive vice-presidents such as Hitesh Patel who came on board from the NewYork-based Jet Blue, where he had worked for 27 years. UB Group old hat A. Raghunathan is the CFO.

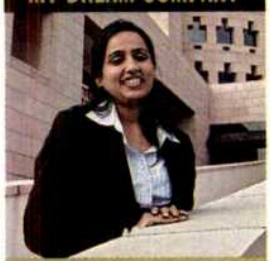
With Air Deccan under its wings, Kingfisher now controls more than a quarter of the market. Internally, the countdown to the numero uno position has begun. The bubbly is, of course, on the house. ■

MY PICK

"During the software boom very few companies survived. Tata Consultancy Services not only survived but made a name all over the world"

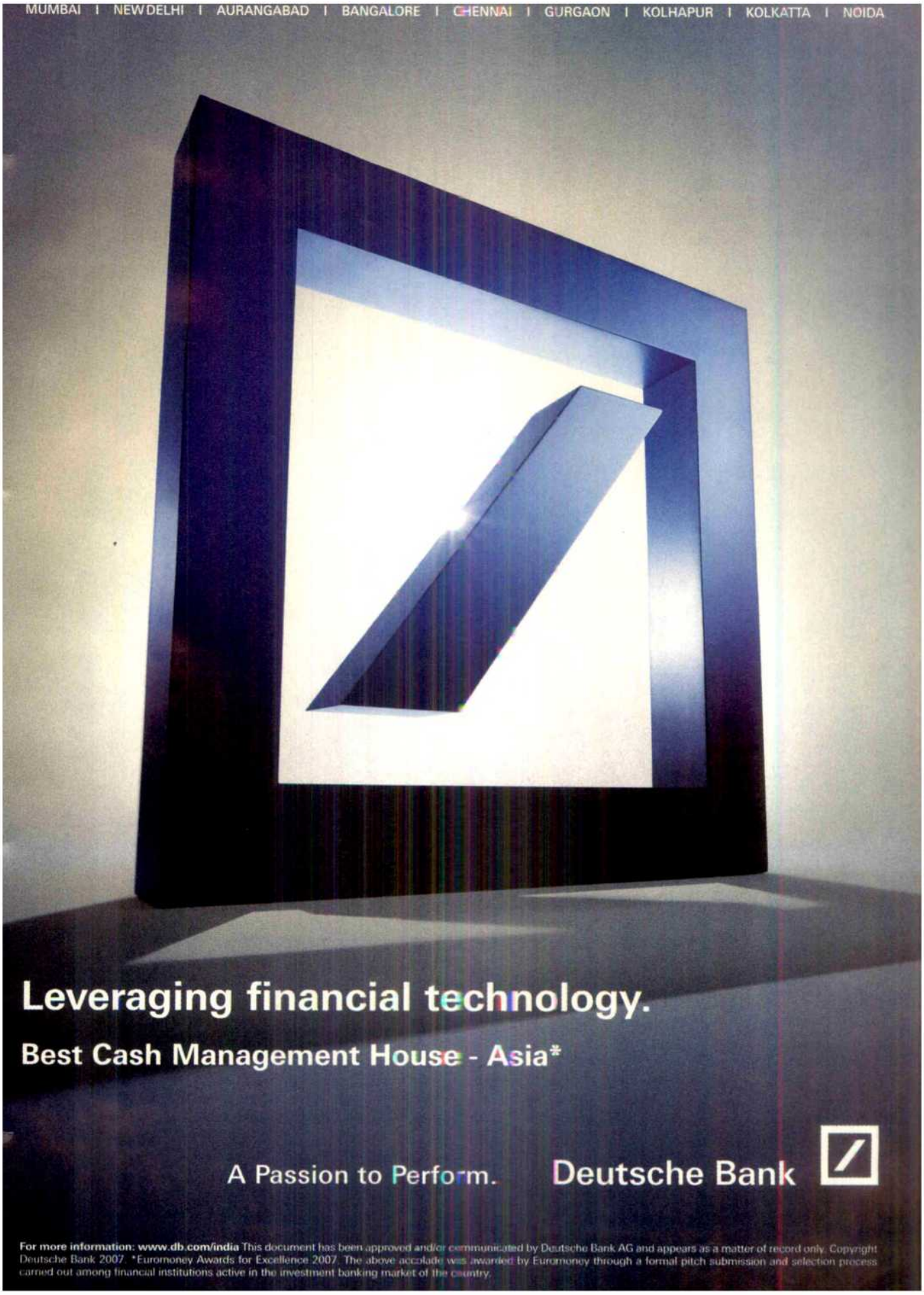
Anirudh Dhoot, CEO
Electrolux

MY DREAM COMPANY



"My dream job is with Kotak Investment Banking. It is a well-respected brand with a deep understanding of markets"

Neha Iyengar Rangraj,
ISB, Hyderabad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ABP

CHARTING SUCCESS: Jamsetji Nusserwanji Tata (RIGHT) drawing up the vision for future

The gentle giant

The Tata group has perfected a classic blend of profits and philanthropy.
By Piya Singh

STHITI *kya hai*? *Sthiti bahut gambhir hai*... (The situation is grave, very grave)," Ishaat Hussain, group finance director and CFO of Tata Steel in the 1990s, remembers telling union leaders in Jamshedpur. The year was 1993, a difficult one for the Tata Group. Free market winds were forcing flagship Tata Steel to trim its employee base. Eventually, over a span of 13 years, more than 20,000 workers were retrenched from the company's Jamshedpur plant. Although the smooth process of de-linking so many workers without creating tensions in a small town like Jamshedpur has been rated highly by management experts, Hussain remembers feeling nervous.

"How did we do it?" he asks, and answers, "By being sensitive and honest. I made a presentation to the unions to show them what the financial position of the company really was and why we needed to retrench all those workers."

Tata Steel spent Rs 800 crore to ensure that their former workers got a fair deal. Several analysts and consultants were dismayed to think of the strain these payouts would put on the company's financials. "However, it was not a completely altruistic decision. We were also being practical businessmen," says Hussain, who has been with the group for nearly three decades. He is keen to point out the fine balance the Group maintains as it protects stakeholders' interests while adhering to the Tata value system. "I hate typecasting people, but there is one thing known

to all Tata people — that the means are as important as the end," says Hussain.

It's not difficult to see why there are two Tata enterprises in the Top 10 *BW*-IMRB Most Respected Companies list this year — Tata Steel and Tata Motors. The Tata Group has earned respect of the kind that is difficult to emulate. India and Indians look up to the House of Tatas for its particular brand of compassionate capitalism.

Leadership With Trust

A. Sen, 32, who has been working with a private company in Mumbai for the last five years, agrees, "In Mumbai, Tatas are seen as a huge conglomerate, but in Kolkata, they stand for social welfare: whether in the beautifully planned city of Jamshedpur, in the academic institutions they support, or the Tata Memorial Hospital that treats the poorest of the poor. In the east, we think that the Tatas are genuine people; they don't cheat unlike many other industrialists of stature."

India has long benefited from the Tatas' generosity in institution building – whether it is nuclear research (Tata Institute of Fundamental Research), cancer treatment and research (Tata Memorial Hospital) in Mumbai and, now, Kolkata too, or social studies (Tata Institute of Social Sciences). The Tata family's considerable contribution to science and education began in 1896, even before Tata Steel was a reality, when Jamsetji Tata offered half his fortune — a princely 14 buildings and four pieces of land worth Rs 30 lakh — to the British government to set up a University of Science. It was only in 1904, a year after Jamsetji's death, that the government agreed to set up the Indian Institute of Science in Bangalore with the authorities' funds equalling that of Jamsetji's.

Ratan Tata, the Tata Group's current chairman, continued to honour the tradition of investing in the community. It was under his stewardship that, in 2006, the group decided to build a cancer hospital in Kolkata. After Tata Steel acquired Anglo-Dutch steelmaker Corus to become the sixth largest steelmaker in the world, it quickly drafted plans to engage with people in distress areas like Port Talbot in South Wales, where Corus operates. As Hussain says: "Neither do we displace the management where we go (as with Corus), nor do we disrupt the communities we go into. People have heard of us. Hopefully, through our work, we will demonstrate to them our 'leadership with trust' philosophy of operating in the businesses that we are in."

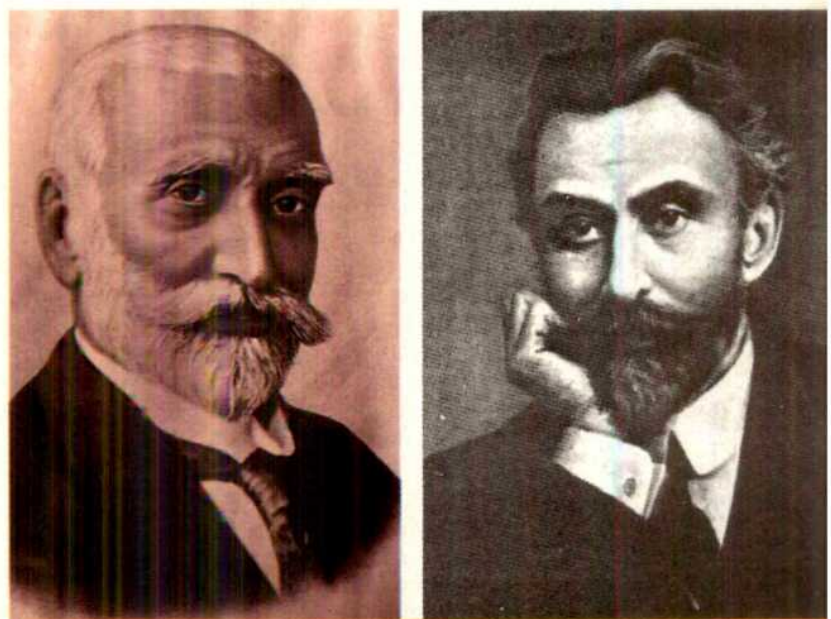
100 Years Of Solidarity

"When compared to many of its peers, over the past hundred years, the Tata Group has proved that you can be socially responsible and still make money," says BCG India chairman Arun Maira, who was formerly an executive director at Telco. It is a philosophy that has served the Tata Group well. The Group's revenues and market capitalisation have risen by 275 per cent and 700 per cent respectively in the last 10 years.

"We don't have stock options; we get paid good salaries." Hussain says. "Mr Ratan Tata is not on any millionaires' list, leave alone any billionaires' list. I must say the fact that I come here and spend the better part of my waking life knowing that a substantial part of my effort goes back to charities is a huge motivating factor."

While 66 per cent of Tata Sons is owned by charitable trusts set up by the Group's founders, philanthropy is not the only reason the Tatas are seen as the most respected business group in the country. For investors like Janak Mathuradas, 54, a resident of Kalbadevi, Mumbai, who has 50 per cent of his portfolio in Tata Group stocks, the Tatas mean more than just hefty dividends. His family has held on to Tata Group shares, like Tata Steel, Tata Power, Tata Motors and TCS, for the last four generations. "In the old days, Tata Group shares were known as 'widow shares', as they offered returns you could quite conceivably live off. Tata companies have a clean management, they offer handsome shareholder returns, and almost all of them are market leaders. We have not sold our shares. Instead we have re-invested the dividend income. I feel emotionally close to the Group."

For young management graduates, being wooed by global and Indian companies, the Tata Group stands for freedom to pursue one's



GRAND MASTERS (LEFT: Sir Dorab Tata RIGHT: Sir Ratan Tata): They were among the Tata titans who set the rules and started the game

FREQUENT FLYERS: Ratan Tata (L) shares with late J.R.D. Tata a passion for flying

dreams. "Not all young graduates from business schools look for the same thing," says Saballeel Nandi, 31, a senior manager in the Tata Group's executive office. "However, they all do look for a place where you have the freedom to follow your dreams, where you are held accountable but also given the flexibility to make mistakes, and where you can escape the monotony of a daily job through a change in roles and portfolios. The Tata Group offers you all that. I joined Tata Motors in 2001 and was given the flexibility to move from IT to marketing to sales. Two years ago, I joined the Group executive office. Besides, whether it is at a conference or when you interact with outsiders, your visiting card gets you respect — respect not for the group's market capitalisation or size, but for its legacy."

Swifter, Higher, Stronger

Some of that respect also comes from the Tata Group's ability to establish leadership positions across sectors as diverse as automobiles, chemicals, consumer products, telecommunications and information technology, which has come about especially after 1991. The House of Tatas has 96 operating companies, of which 28 were listed with a market capitalisation of roughly Rs 2,91,100 crore last week. The Group's profits of Rs 11,380 crore arise out of operations in India and 80 countries worldwide. Excluding Corus' staffers, the Tata Group has about 270,000 employees. "The Tata Group has turned on its head the management theory that conglomerates are messy creatures that don't make money or create value for their investors," says Maira.

The man on the street agrees. "The Tata group won't sink because of its deep pockets. It gives good dividends and treats its employees well. I also like the fact that the group has products and services for the middle class," says Basant D., 45, a daily commuter from Kalyan to mid-town Mumbai and an avid dabbler in stocks.

Having attained the leadership position in domestic markets, the Tata Group is now setting its sights on the global market. It is always raising the bar, always setting new benchmarks, whether it is by buying a company the size of Corus or by promising a Rs 1 lakh car that has caught the imagination of carmakers and buyers worldwide. Several of the Tata Group companies are among the biggest in their category worldwide. Tata Tea is the world's second largest company in the branded tea segment (after the Tetley buyout in 2000). Tata Chemicals is the sixth largest manufacture of soda ash globally. Tata Motors is one of the top five manufacturers of vehicles in the world. Tata Steel is now the sixth largest steelmaker. In the next five years, the Group plans to invest Rs 1,02,500 crore in sectors such as automobiles, power, hotels, steel and telecom.

A gentle giant that has made every effort to win goodwill, the Tata Group is not without its share of challenges. The Group has its hands full with the ongoing integration of workforce, operations and values in its global buy-outs. In India, the Group is facing a debilitating backlash from protesting farmers at Singur, the venue from where the first Rs 1-lakh car will be rolled out. Environment groups such as Greenpeace have mounted a campaign against the destruction of a turtle habitat a proposed Tata project in Orissa is likely to cause. The Rs 1 lakh car has raised concerns of negative ecological impact. To remain India's most respected group, the Tatas must continue to create value for both shareholders and communities. It's a fine line to walk. Respect is never easily earned — or kept — but nobody knows the game better than the House of Tatas. ■

MY PICK

"My pick is HDFC. The company has a scalable business model that has captured the entire spectrum of financial services"
Gagan Banga, director, India Bulls Fin Services

MY DREAM COMPANY

"I would love to work with Citibank India. It has a history of understanding of what delivers customer value"
Riddhi Kaul, IIM Lucknow

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Q. What is special about S P Jain and this program?

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Q. Why is it a one year program?

A: The program is designed for working executives who prefer to take only one year off so that they can get back to work sooner. The curriculum however is over 1000 hours as in a typical 2 year program. These executives are very bright and ambitious and prepared to work twice as hard and sacrifice holidays in order to save one year.

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A: Recruiters say that conventional MBA participants lack in-depth domain knowledge. The Global MBA offers 9 super specializations - Investment Banking, Wealth Management, Banking Management, Retail Management, Services Marketing & Management, Product Marketing & Management, Global Logistics Management & Supply Chain Management, Information Technology Management and Global Human Resources Management to ensure that a participant has mastery over a chosen area. This has been widely appreciated by the industry and gives our participants a tangible edge.

Q. What about the faculty?

A: In addition to S P Jain's own top class faculty we also put a lot of effort to get only the very best professionals from all over the world to lend their global knowledge. Our participants say that our outstanding faculty is one of our greatest strengths.

Q. What are the admission's criteria?

A: An attempt is made to identify and groom tomorrow's CEO. Several criteria like an aptitude test, undergraduate record and relevant work experience are considered. Thousands of participants apply for the few seats and so admission is very selective. The website gives all details.

Q. What is your placements record?

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COUNTING THEIR RICHES: Lakshmi Mittal, Mukesh Ambani and Anil Ambani are amongst the world's 20 wealthiest people

Peer respect has become a default function of a sound financial performance.

By Srikanth Srinivas

The 'peer' factor

EACH year, Forbes magazine produces one of the most-watched lists in the world: the Forbes 400, a roster of the wealthiest people on the planet. The latest list has three Indians in the top 20 — Lakshmi Mittal, Mukesh and Anil Ambani. The 2006 list has 793 billionaires, up from 102 in 2005. India has 10 of them, more than any other country, excepting the US. China, by comparison, has eight.

Right from the Catholic Church and the Medici in medieval times, those who had wealth in big quantities have always attracted public interest and fascination. We continue to admire and respect the rich, despite the fact that wealth has never been brasher. Many economists agree that the celebration of wealth is an important part of a dynamic economy. In the movie *Wall Street*, the character of Gordon Gekko exhorts shareholders: "Greed is good. Greed is right. Greed clarifies, cuts through and captures the essence of the revolutionary spirit." No doubt, it is all about the money.

All the companies ranked in our survey have clearly done well by financial yardsticks. In the Indian context, a company's market capitalisation, as measured on stock markets, has become the newest badge of achievement. And since Indian companies are largely family-owned, growth in market capitalisation increases the wealth of the principal shareholders — and to a lesser degree, that of individual shareholders. But how does this wealth accumulation for a few translate into respect as reflected in media coverage, shareholder popularity and business school surveys?

Where It Comes From

Financial ratios and indicators are the most objective and the most tangible of all criteria. But stock performance — which is distinct from business performance — reflects more than just financial performance: it reflects future wealth expectations, investor hopes and well-crafted

Another typical modern business issue...

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Lt. Col. Ganta Chandrasekhar Rao, Joint Director – Infrastructure, Govt. of Andhra Pradesh

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The Forbes 400 Top 20

William Gates III, Warren Buffett, Carlos Slim Helú, Ingvar Kamprad, Lakshmi Mittal, Sheldon Adelson, Bernard Arnault, Amancio Ortega, Li Ka-shing, David Thomson, Larry Ellison, Liliane Bettencourt, Prince Alwaleed, Mukesh Ambani, Karl Albrecht, Roman Abramovich, Stefan Persson, Anil Ambani, Paul Allen, Theo Albrecht

Source: *Forbes*

images of the dynamism (often deserved) of business owners and families. In other words, stock performance is as much about perception.

What is less clear is how it all comes together to create respect. Who are the opinion leaders who drive the favourable sentiment? Whose respect is necessary for a company to be able to lay claim to being among the best? Let's start with **the company itself**.

It is not uncommon at company meetings — and at meetings with business partners, investment bankers and certain large investors — for senior management to put on a show that compares recent stock performance (usually the past two years) and returns to investors. In a reasonably long bull-run — the Indian one has lasted a little more than 18 months — a company with eye-popping price to earnings ratio begins to look almost unstoppable.

The company raises capital, goes on an expansion spree, and earnings grow rapidly. The stock continues to rise and the owners begin to look like shrewd strategists. **Media reports** extol their farsightedness; the company becomes the standard to emulate. In relatively new businesses, there will be acquisitions and additions to balance sheet size — the bigger the acquisition, the greater the media coverage. If the company puts together innovative financing arrangements, financial engineering is added to its list of capabilities. Executives begin to look like whiz kids. A business powerhouse is born, and admiration grows.

Securities analysts of large brokerage firms are an important constituency for companies. The media use them as sources for analysis, and their favourable views add to the halo of the company's standing. Research departments in broking houses are no longer sleepy back offices; they have evolved into one of the financial market's glamour professions. They are marketers. Take Udayan Mukherjee of CNBC: he is more famous than some of the CEOs he interviews.

The system of quarterly earnings announcements drives peer respect in a different way. The increased depth and frequency of the flow of information about a company's activity allows investors and analysts alike to monitor performance; the results of companies like Infosys Technologies, Reliance Industries and ICICI Bank, to mention three, are akin to leading indicators. All three of these companies are highly respected, and their results set the benchmark against which others are measured.

The **actions of high profile and individual investors** — including private equity funds like Blackstone and Carlyle, and investors like Rakesh Jhunjhunwala — can provide a huge boost to company prestige. Any interest private equity firms evince in a company is likely to send that company's stock rocketing up, and will add to the company's popularity. Such a seal of good housekeeping is a powerful influence on the respect that companies can derive.

Credit ratings also illustrate the prevalence of good housekeeping. In contrast to equity analysts, credit rating analysts do not care about earnings or stock price, but about the company's ability to generate enough cash to repay its debt. Regulators also use credit ratings to assess capital adequacy. Naturally, the best companies have the best ratings; conversely the best ratings heighten a company's respect and standing among its peers, its suppliers, its bankers and creditors.

However, the weight of finance in peer respect can be exaggerated and overblown. The new parade of wealth has a more tenuous justification; it is also reflective of the size of the financial economy in relation to the real economy. Enron's spectacular rise and equally spectacular fall offers a cautionary tale about peer respect built on "spectacular" financial performance.

In October 2000, Enron had returned a stunning 1400 per cent on its stock since 1990, more than three times the return on the S&P 500 over the same period. *Fortune* named Enron the Most Innovative Company six years in a row. McKinsey & Co. wrote that "Enron has built a reputation as one of the world's most innovative companies" in one of several laudatory pieces. Harvard Business School professors worked up case studies about the company's triumphs. The *Financial Times* wrote that "Enron is the one to emulate."

Everyone — the Wall Street analysts, the credit rating agencies, the regulators, the bankers and creditors, the investment banks — had bought the hype in the story of Enron's financial success. When the collapse came, that story turned out to be a castle in the air. ■

MY PICK

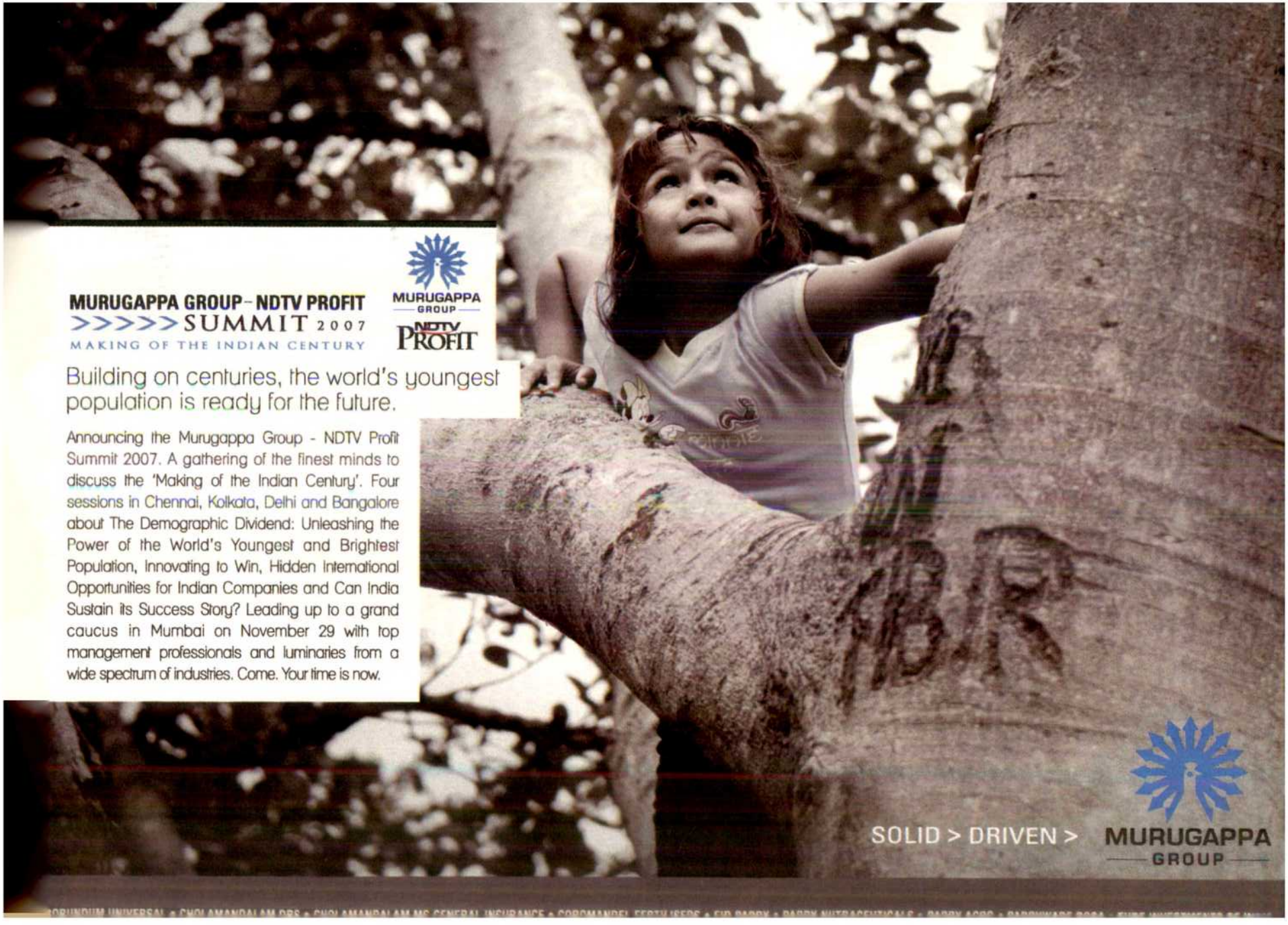
"I admire Tata Motors for its dramatic turnaround and maintaining such a high growth trajectory"

Neeraj Swaroop, CEO, StanChart India

MY DREAM COMPANY

"HSBC. Besides being a leader in investment banking, it is also highly committed to the growth of its employees"

Anant Singhvi, IIM Kolkata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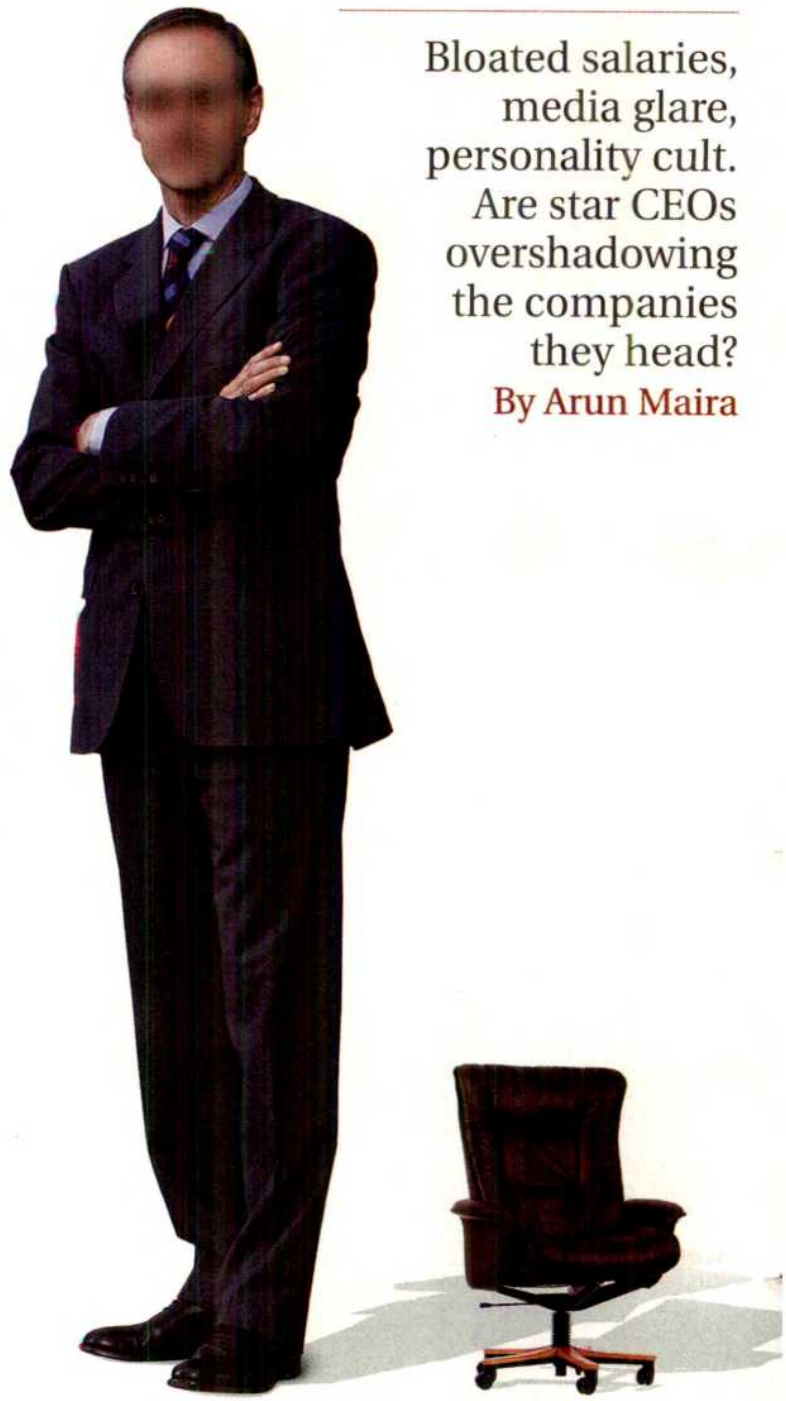
Inflatable CEOs

Bloated salaries, media glare, personality cult. Are star CEOs overshadowing the companies they head?

By Arun Maira

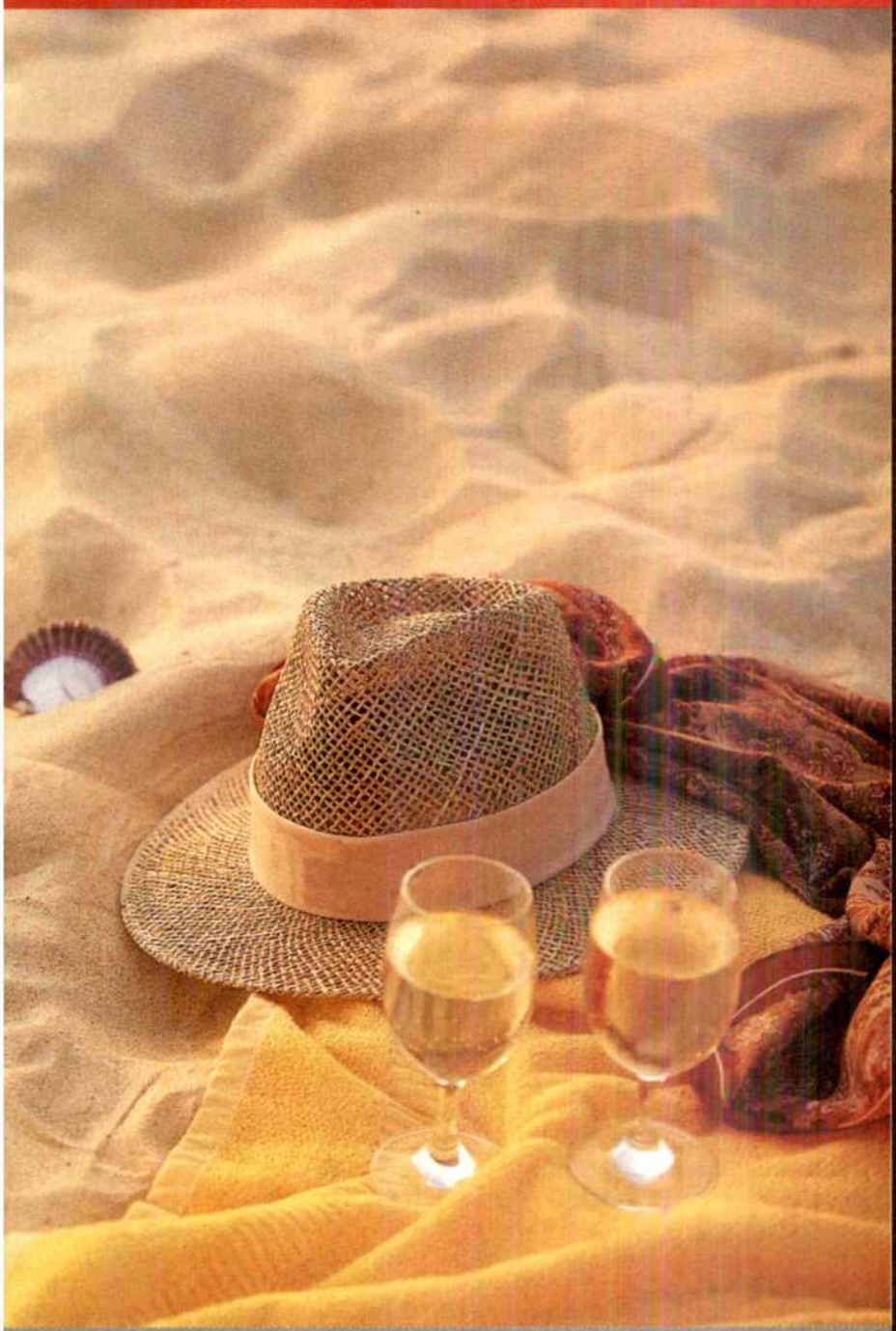


CHAK de India is an entertaining movie with an important message: teams win, and individuals who play for their own glory make teams lose. The film shows the forging of a winning team by harnessing individual egos, and also how a match was lost when a captain put himself ahead of his team.

Chak de India's message runs counter to the cult of the CEO that has been building up in the business world. The media loves celebrity CEOs. Their pictures appear on magazine covers; their sound-bytes make good copy; the salaries they earn turn heads; and their personal lives are fodder for society pages. So, invariably, the pictures on TV and in newspapers, the stories about challenges undertaken and decisions made are always about the CEO who gets the award. Thus the media projects the performance of the company into the persona of the CEO and the myth that only the CEO matters is perpetrated in the people's mind.

The million dollar question is: Is the cult of the CEO good for the sustainable performance of a company? In the early months of 1999, a strange thing happened in the US. The stock of a high performing computer company fell sharply. It was strange because the internet bubble had not yet burst and this was not even a dot-com company. This was the very successful Dell computer company whose direct delivery model was up-turning the industry. A *Wall Street Journal* reporter gave a surprising explanation, but under the circumstances, the only plausible one. Michael Dell's biography had just appeared with much fanfare. Here was a young guy, dressed casually, who liked flipping hamburgers in his yard. According to the reporter, investors were disconcerted. This was no steely-eyed Jack Welch or hard-talking Bill Gates, the most common images of successful CEO at that time — this was just a kid! Imagine sitting in the backseat of a New York cab, weaving through the traffic at high speed, and suddenly realising that your driver is an inexperienced teenager. "Hey, stop! Let me off this cab," you would say.

This story makes two points. Public relations (PR) experts who urge companies to brand their CEOs are right: the image of the CEO does matter. However, it is more important that the image satisfies the requirements of the public. Should a high profile CEO get embroiled in a controversy, the company's reputation will take a hit. Managing the CEO brand spins a reinforcing cycle between media, CEOs and their PR advisors fuelling the CEO cult industry with undesirable side effects on the performance and culture of compa-



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SUPPORTING PILLARS: (From left) Anand Jain of Jai Corp, Akhil Gupta of Bharti Airtel and Ravi Nedungadi of UB Group

Boards scramble to find star CEOs. Head hunters, with fees linked to the salaries of the CEOs they place, are eager to assist them. The result is that CEO salaries have gone out of earthly orbit. In America, CEO salaries are now reported to be 140 times the salaries of average employees. Some analysts explain that CEO compensation, though large in comparison with salaries of other employees, is very small in relation to the revenues and profits of the firms they manage. It is affordable, so boards avoid unpleasant discussions about inequity within the organisation, let alone the much more ideologically charged subject of the effect that soaring compensation at the top has on society in general.

CEOs are often compared to conductors of symphony orchestras. The analogy may serve to justify the case for the high salaries of CEOs. Conductors are indeed a breed apart from the instrument players in the orchestra. Their names help promote their orchestras; and they are paid much more. However, the analogy is wrong because a business organisation is structurally different from an orchestra. For one, the orchestra plays a pre-scripted score whereas a business team must devise its strategy while it is performing. And, whereas an orchestra performs its pre-rehearsed music within a controlled environment, a business team must respond dynamically to the moves of its competitors and change its tactics — the music it plays — accordingly. Since the interaction between a business team's members and its captain must be much closer, the captain cannot be on a pedestal apart from the team like an orchestra conductor. He must be on the field and play along. Thus, a business team is much more like the hockey team in *Chak de India* than a symphony orchestra. The captain must often step back to let others score and let them be feted.

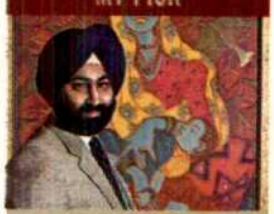
The fact is that performances of great companies result from many initiatives and many significant contributions. However, the stories of other members of the team are rarely given the same respect, if mentioned at all, as the role of the CEO in the history of the firm's performance. It is much easier to write a story with one hero as any author would know. It also makes it easier for the reader not to keep guessing who the real hero is. While this may be convenient for both the writer and the reader, it is not an accurate representation of reality. Research in organisational performance improvement and transformational change has brought out the many-faceted nature of these processes and the critical roles played by many in them. The research reveals that change-agents at lower levels within the firm often confront challenges and career-ending risks comparable to the risks CEOs take. Whereas CEOs often have golden parachutes to help them land comfortably if they are ejected, lower level change agents risk very hard landings, should they fail.

At the end of the day, CEOs are also human beings. They want appreciation. However, too much adulation can go to anyone's head. CEOs can begin to believe their own press, managed by PR professionals ostensibly for the company's benefit. Following the spate of corporate scandals in America and Europe a few years back (Enron, WorldCom, Tyco, etc.), the Dutch business federation examined the number of times CEOs of various companies had been mentioned in the media in previous years. There was a surprising correlation: CEOs of the companies that got into the most trouble were the ones who had been portrayed and lionised most often.

Business journals, whose super-ordinate purpose should be to contribute to improvement of business management practices, must critically examine the effects of the stories they write and the awards they give. By exaggerating the role of the CEO, are they perpetrating a fallacy about how good businesses really function? For the CEOs, standing on a pedestal can be an exhilarating experience. But the space to manoeuvre on the public platform is narrowly circumscribed by public scrutiny. Any misstep can lead to a fall. The Dutch federation's advice to CEOs, 'Prevent yourself from becoming 'sun kings'. Just say no to journalists!' ■

The author is chairman of Boston Consulting Group, India

MY PICK



"In a short span of time, Infosys has established itself as a frontrunner in the global IT space"
Malvinder Singh
CEO, Ranbaxy

MY DREAM COMPANY

"It is BCG for me, because this company provides exposure to various aspects of business"
Gurraj Malik
FMS, Delhi

The India advantage

WHEN there is talk of globally respected companies, the names that come to mind immediately are GE, Toyota, etc. What is it about them that makes us think of them as venerable? They not only epitomise innovation and quality, they always put the interests of their stakeholders and investors first. At the same time, they have led the way and shown the path while maintaining the highest standards of corporate governance and ethics.

Historical evidence reveals that on the global stage, companies that bring laurels to their nations are the ones that earn universal respect. When we speak of India, whether it is Tatas buying Corus, the Birlas buying Novelis or Ranbaxy acquiring Terapia, all of it has not only earned us global recognition and respect but affirmed our global competitiveness as well. This is the bedrock on which India gets built as a global brand.

Today's Indian companies are more convinced of their global strengths in terms of quality, cutting-edge technology, cost competitiveness and human capital. Beyond a shadow of doubt, they are much better prepared and equipped to face competition in the global arena. Most exhibit a can-do spirit characteristic of the new breed of Indian companies that are eager to make their mark in the world of international business. They aspire to a global vision, they are eager to take risks, and want to earn respect.

I am often asked, across the globe, about the galloping expansion of Indian companies. My answer is simple. India, with its complexities and sizeable market, is an extremely fertile ground for companies to hone their skills. Being intensely competitive and price sensitive at the same time, the market forces companies to develop innovative mechanisms that result in lean cost structures. It is this experience and learning that our companies are translating while building models of excellence around the world.

Globalisation is no doubt a healthy way to establish a global brand, but not everyone succeeds. When I reminisce about Ranbaxy's global journey, I feel it was our unconventional thinking, our drive to think out-of-the-box, and an appetite for risk that catapulted us into becoming a top ranking global generics company. Time and again, these attributes have helped us establish a first-mover advantage in carving out new business opportunities where none seemed apparent. Building a human bridge and an integrated global team has been one of our biggest challenges. What worked in our favour is our strategy of locating and retaining local talent in the 49 nations we have a presence in. Today, we have a multi-ethnic work force of close to 12,000 people representing 50 nationalities.

Indian companies can win global respect if they synergise customer expectations with shareholder interests

It is no coincidence that many of the world's most respected companies are those that continue to innovate, take risks and challenge existing thinking. It is here that we Indians score. Our nation is a powerhouse of talent and we are technologically far ahead of several countries. We manufacture products and services to global quality standards at a cost few can match. In fact, companies like Infosys, Wipro and the Tata Group are all successfully using the India advantage to emulate models of excellence from across the globe. Today, consumers want the best products and services irrespective of their countries of origin, and the made-in-India technology is increasingly winning on both counts.

Companies must aim at gaining leadership positions globally. One should also invent ways to deal with and overcome challenges and problems. To be respected, it is equally important to embrace local talent, integrate with the local culture, and build common values and processes.

There is no single answer as to why some companies are more respected than others. Some companies are more admired for their leadership and management while others score on vision and innovation. A lot of them are respected globally because of their sense of ethical and social responsibility while many make it to the top for their focus on the consumer, and on quality. There isn't any one success formula to become a globally respected company. It has to be earned and it stems from the vision of a company.

Companies that constantly innovate to provide better products and services, and offer superior value propositions to the customer, will command more respect than others. In short, they are the companies that have truly synergised customer expectations with shareholder interests, and have always kept both closest to their hearts. ■

The author is CEO and managing director, Ranbaxy Laboratories.

The Businessworld Most Respected Companies Survey 2007

We give respect where it's due

How they score

Company	Rank 2007 (score*)	Rank 2006	Innovativeness	Quality and depth of top management	Financial performance and return to shareholders	Ethics and transparency	Quality of products and services	People practices/ Talent management	Global competitiveness
Infosys Technologies	1 (22,088)	1	1	1	1	1	1	1	1
Bharti Airtel	2 (12,378)	N.R.	2	3	5	4	2	5	6
Reliance Industries	3 (12,217)	3	4	4	2	7	6	4	3
ICICI Bank	4 (12,133)	4	3	2	3	6	4	3	5
Wipro Technologies	5 (11,565)	2	6	5	4	3	5	2	2
Tata Steel	6 (10,757)	16	8	6	6	2	3	6	4
Microsoft India	7 (9,021)	N.R.	7	7	7	8	8	7	7
Tata Motors	8 (7,611)	9	14	10	9	5	11	9	12
Hindustan Unilever	9 (7,413)	17	10	8	10	10	9	8	14
Larsen & Toubro	10 (7,146)	10	16	9	8	9	13	10	11
Maruti Suzuki	11 (7,051)	6	11	11	11	11	10	12	9
Kingfisher Airlines	12 (6,870)	N.R.	5	12	17	15	12	13	13
Nokia India	13 (6,627)	11	9	14	15	16	7	14	8
IBM India	14 (6,285)	N.R.	12	16	18	12	15	11	10
HDFC Bank	15 (5,453)	8	17	13	13	14	16	15	28
Reliance Communications	16 (5,090)	34	13	17	12	22	23	16	21
Dr. Reddy's Laboratories	17 (4,966)	23	15	20	14	20	19	19	15
Jet Airways	18 (4,919)	14	20	18	21	19	14	17	17
ONGC	19 (4,626)	13	26	19	16	13	22	23	20
BHEL	20 (4,428)	32	24	21	20	18	20	18	23
Aditya Birla Nuvo	21 (4,355)	N.R.	23	15	19	17	34	20	24
Hero Honda Motors	22 (4,260)	15	18	23	22	24	17	25	22
Sony India	23 (4,079)	N.R.	25	24	25	25	18	24	18
Coca-Cola India	24 (3,947)	N.R.	19	25	23	28	29	22	19
Citibank	25 (3,753)	21	22	22	30	30	30	21	16
Bennett, Coleman	26 (3,211)	43	21	26	36	27	27	28	37
BSNL	27 (2,967)	26	28	28	32	26	31	35	36
ITC Hotels	28 (2,942)	53	32	30	26	37	28	26	30
HP India	29 (2,940)	N.R.	36	27	28	33	26	27	31
Cadbury India	30 (2,919)	N.R.	29	34	33	31	21	36	33
Vodafone Essar	31 (2,836)	33	27	36	35	34	33	31	26
Ranbaxy Laboratories	32 (2,826)	19	37	31	24	38	42	29	25
GlaxoSmithKline Pharma	33 (2,731)	63	34	29	27	32	35	32	34
Titan Industries	34 (2,726)	N.R.	30	37	37	23	24	45	41
LG Electronics India	35 (2,699)	31	35	32	34	40	32	33	27

*All figures have been rounded off to the nearest decimal; For methodology, refer to page 92

N.R. Not ranked

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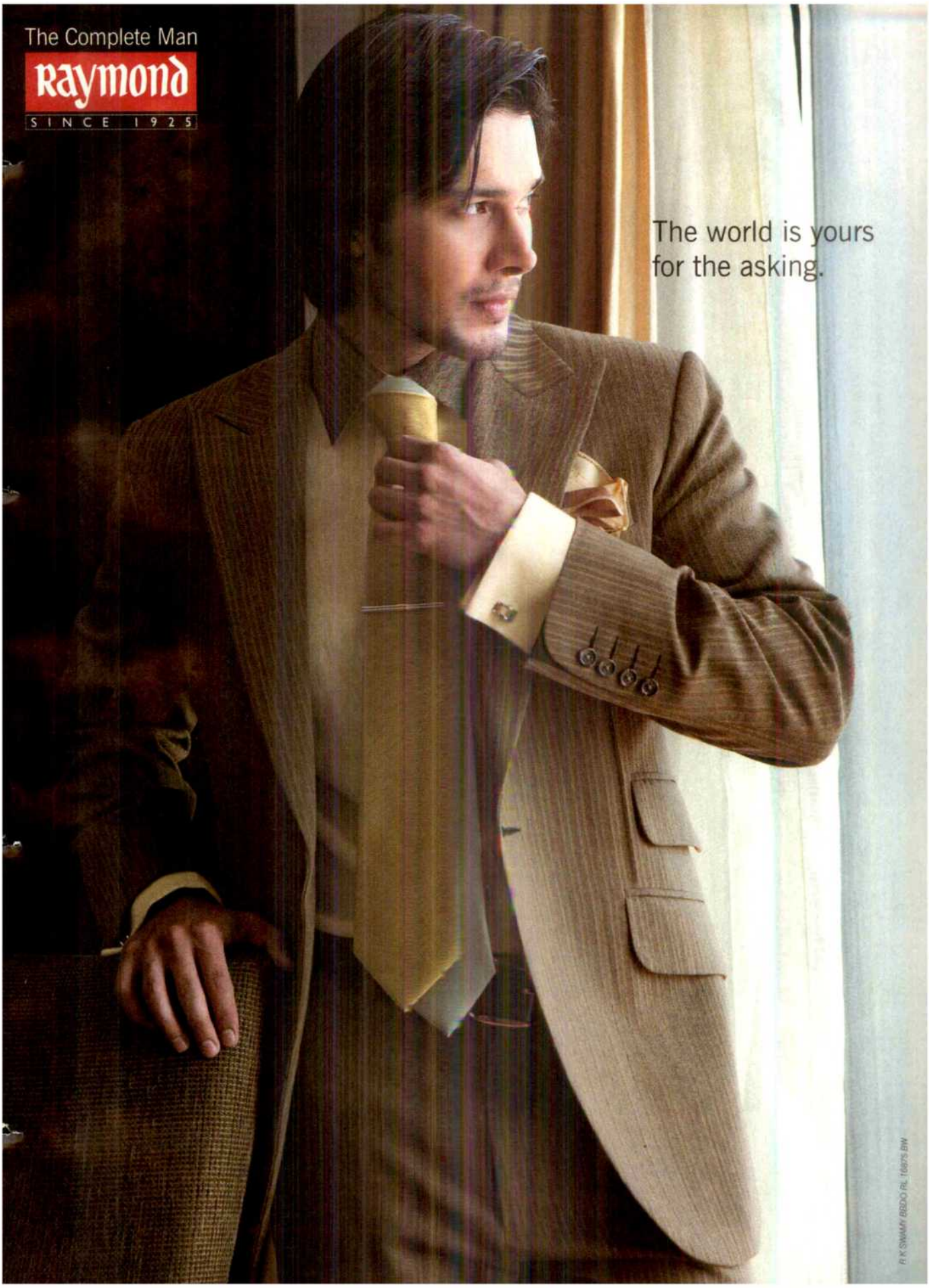
How they score

Company	Rank 2007 (score*)	Rank 2006	Innovativeness	Quality and depth of top management	Financial performance and return to shareholders	Ethics and transparency	Quality of products and service	People practices/ Talent management	Global competitiveness
Dabur India	36 (2,611)	**37**	39	**33**	31	**29**	39	**34**	35
LIC	37 (2,542)	**35**	44	**40**	29	**21**	40	**37**	38
Britannia Industries	38 (2,455)	**N.R.**	31	**35**	38	**43**	25	**42**	42
Hyundai Motors	39 (2,235)	**N.R.**	33	**38**	40	**49**	36	**47**	32
NDTV	40 (2,170)	**24**	40	**41**	42	**35**	43	**30**	49
McDonald's	41 (2,161)	**52**	42	**42**	44	**46**	37	**39**	29
Cipla	42 (2,053)	**36**	43	**39**	43	**39**	44	**40**	44
HSBC	43 (1,938)	**N.R.**	41	**44**	45	**47**	46	**38**	39
Castrol India	44 (1,709)	**N.R.**	51	**49**	41	**48**	45	**41**	47
MRF	45 (1,668)	**44**	55	**43**	46	**51**	41	**58**	45
Indian Hotels	46 (1,655)	**59**	61	**46**	49	**44**	48	**44**	40
Bharat Petroleum	47 (1,579)	**47**	46	**51**	47	**42**	47	**46**	66
Standard Chartered	48 (1,509)	**N.R.**	47	**45**	59	**52**	59	**43**	46
NTPC	49 (1,472)	**49**	48	**54**	39	**41**	66	**52**	56
Raymond	50 (1,374)	**46**	60	**59**	54	**50**	38	**61**	59
ICICI Prudential Life	51 (1,367)	**N.R.**	45	**48**	51	**58**	64	**48**	57
Bharat Forge	52 (1,349)	**38**	50	**53**	53	**54**	58	**50**	48
Ford India	53 (1,317)	**N.R.**	53	**52**	65	**53**	50	**55**	52
Hindustan Petroleum	54 (1,317)	**50**	62	**47**	52	**45**	55	**49**	63
Reliance Retail	55 (1,307)	**N.R.**	38	**50**	58	**63**	56	**56**	64
Tata Teleservices	56 (1,304)	**56**	68	**64**	63	**36**	53	**51**	55
Arvind Mills	57 (1,246)	**54**	52	**58**	55	**62**	49	**57**	50
Infosys BPO	58 (1,154)	**N.R.**	55	**65**	56	**59**	62	**53**	60
Bombay Dyeing	59 (1,150)	**62**	59	**57**	67	**55**	54	**54**	58
Samsung India	60 (1,139)	**41**	54	**66**	69	**65**	51	**64**	43
Shopper's Stop	61 (1,127)	**58**	49	**62**	61	**60**	52	**62**	62
Wipro Spectramind	62 (1,119)	**N.R.**	58	**60**	50	**61**	68	**59**	51
Grasim	63 (1,108)	**N.R.**	63	**55**	48	**56**	57	**66**	65
Asian Hotels	64 (976)	**N.R.**	57	**61**	60	**67**	65	**63**	54
Pfizer	65 (956)	**60**	69	**63**	62	**66**	61	**60**	61
Kasturi & Sons	66 (889)	**N.R.**	64	**56**	68	**57**	63	**69**	69
IBM Daksh	67 (854)	**N.R.**	66	**67**	66	**64**	69	**68**	53
Apollo Tyres	68 (853)	**N.R.**	65	**68**	57	**68**	60	**67**	67
HDFC Standard Life	69 (671)	**N.R.**	70	**70**	64	**69**	70	**65**	68
Trent	70 (594)	**N.R.**	67	**71**	70	**70**	67	**70**	70
Zodiac Clothing	71 (416)	**N.R.**	71	**69**	71	**71**	71	**71**	71

*All figures have been rounded off to the nearest decimal; For methodology, refer to page 92

N.R.: Not ranked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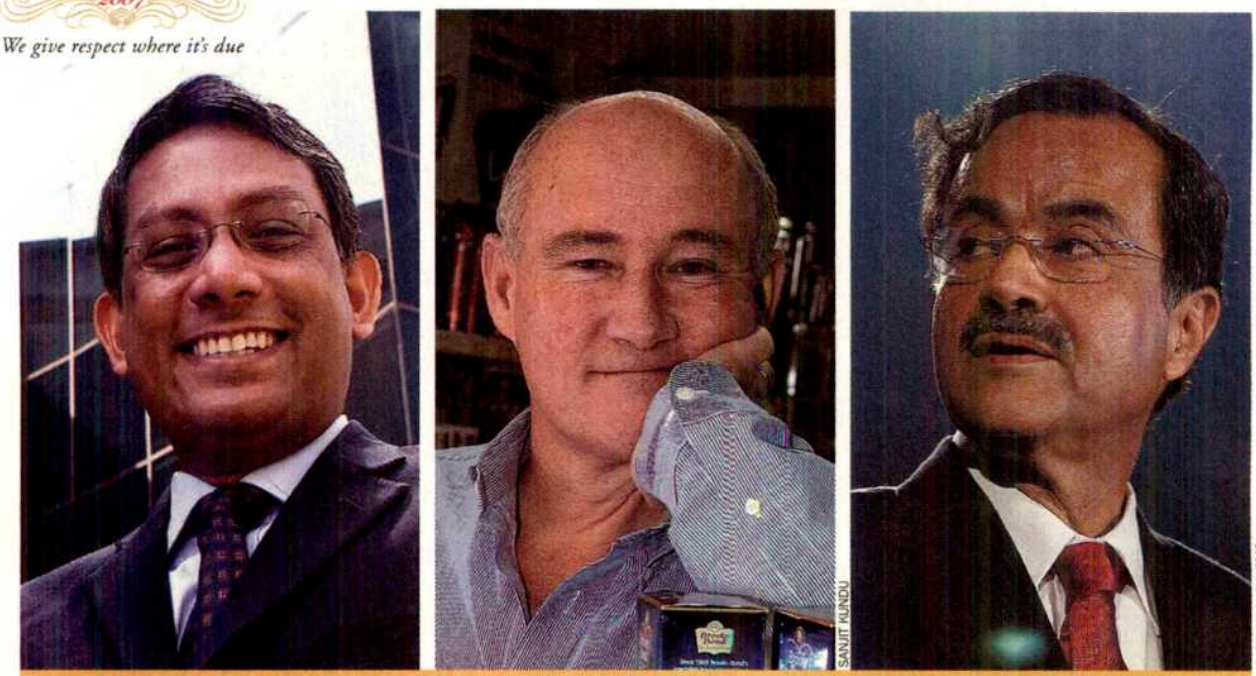

WINNERS: (L-R) Ravi Venkatesan (Microsoft India), Douglas Bailey (Hindustan Unilever) and Jagdish Khattar (Maruti Suzuki)

Several multinational companies make impressive debuts this year.
By Pierre Mario Fitter

Taking on the Indian firms

WHILE the Finance Ministry tries its hardest to keep certain foreign players out of India's financial markets, it seems that the head honchos of India Inc have taken quite warmly to other outsiders. They have voted in 24 multinational companies (MNCs) to *BW*'s list of India's most respected companies. More than half of these — 13 to be precise – have made their debut this year.

Leading the MNC pack is Microsoft India, which also ranks 7th on the overall list. Incredibly, this is the first time that the company has appeared in the rankings — something that could be ascribed to Microsoft's even performance across all parameters. Innovation and people practices in particular, have been the company's strong suits.

No doubt, this is partly because of the contributions made by Microsoft's Hyderabad research centre to its flagship Vista operating software. "We are hiring smart people to develop international products, which we call 'innovating from India'," says Ravi Venkatesan, chairman of Microsoft India. "This year, we are filing close to 100 additional patents, to the 180 patents we have already filed in the past two years."

Venkatesan adds that the focus of the company will remain on driving innovation across its products and business areas. But Microsoft is not shying away from challenges either. Industry observers have long been critical of the company's apparent attempt to shut out open source software, while pursuing a monopolistic agenda. "We recognise that the world is getting increasingly complex and heterogeneous," Venkatesan says in response. "So we are focusing on interoperability of platforms in a big way."

Just behind Microsoft among the MNCs is Hindustan Unilever (HUL). The company, has advanced eight ranks since last year's survey to finish at No. 9 in the overall category. It's top management has often spoken about how brands can be used to catalyse social change. The executives have been listening. HUL's widespread recognition has been helped partly by several well-known brands such as Close-Up, Surf and Sunsilk. But it is the company's back end — its talent management practices and depth of sen-

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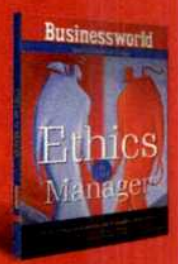

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MNCs at the fore

Company	Overall ranking/Score	Rank 2006	Innovativeness	Quality and depth of top management	Financial performance and return to shareholders	Ethics and transparency	Quality of products and services	People practices/ Talent management	Global competitiveness
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Maruti Suzuki	11 (7,051)	6	11	11	11	11	10	12	9
Nokia India	13 (6,627)	11	9	14	15	16	7	14	8
IBM India	14 (6,285)	N.R	12	16	18	12	15	11	10
Sony India	23 (4,079)	N.R	25	24	25	25	18	24	18
Coca-Cola India	24 (3,947)	N.R	19	25	23	28	29	22	19
Citibank India	25 (3,753)	21	22	22	30	30	30	21	16
ITC Hotels	28 (2,942)	53	32	30	26	37	28	26	30
HP India	29 (2,940)	N.R	36	27	28	33	26	27	31
Cadbury India	30 (2,919)	N.R	29	34	33	31	21	36	33
Vodafone Essar	31 (2,836)	33	27	36	35	34	33	31	26
Glaxo SmithKline	33 (2,731)	63	34	29	27	32	35	32	34
LG Electronics India	35 (2,699)	31	35	32	34	40	32	33	27
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McDonald's India	41 (2,161)	52	42	42	44	46	37	39	29
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Castrol India	44 (1,709)	N.R	51	49	41	48	45	41	47
Standard Chartered	48 (1,509)	N.R	47	45	59	52	59	43	46
Ford India	53 (1,317)	N.R	53	52	65	53	50	55	52
Samsung India	60 (1,139)	41	54	66	69	65	51	64	43
Pfizer	65 (956)	60	69	63	62	66	61	60	61
IBM Daksh	67 (854)	N.R	66	67	66	64	69	68	53

*All figures have been rounded off to the nearest decimal; For methodology refer to page 92

N.R.: Not ranked

ior management — that have been big pluses for the company.

Maruti Suzuki is third on the list of MNCs, although it has slipped five spots from six to 11 in the overall category. The company has consistently dominated the Indian four-wheeler auto segment ever since it introduced the trusted Maruti 800 in 1984. Till today, the Maruti 800 remains one of India's largest selling cars, although another Maruti vehicle, the Alto, has long since taken over the mantle of India's highest selling automobile. Recent models such as the Swift and the SX4 have also done reasonably well with customers.

But what Maruti owners and its peers value the most is the company's unwavering focus on creating customer satisfaction. The company has the largest number of authorised dealer and service centre locations in the industry. And it isn't just mechanics who work there. "Even at the senior level, we are in the field as much as possible," says Jagdish Khattar, managing director of Maruti Suzuki. "We look out for customer feedback and then don't just address concerns for that particular customer but also make sure it is implemented across our network." Khattar believes that only after a company has worked on customer satisfaction, can areas such as products and technology begin to make a difference.

Three other MNCs have made strong debuts in the rankings. They are IBM India (14), Sony India (23) and Coca-Cola India (24). However, consumer products companies seem to have taken the biggest hit as compared to last year's rankings. Samsung Electronics India dropped from 41 to 60, LG Electronics India from 31 to 35 and Nokia India from 11 to 13.

This year's biggest gainers include GlaxoSmithKline which rose from 63 to 33 and ITC Hotels which moved up from 53 to 38. ■

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SENNHEISER CX EARBUDS

Sennheiser has unveiled 4 new earbuds to their CX range- CX 400, CX 500, CX 55 Street, and CX 95 Style. CX 400 is ideal for usage with an arm-banded MP3 player and comes along with a 3-foot extension cable for usage with other devices. CX 500 joins with the old line-up and is offered in various color options. CX 55 Street claims better bass reproduction than before and CX 95 Style is all about style that makes you look good while chilling to your tunes. These earbuds will be available in India by the end of this month.

Price: CX 400 for Rs 3,999, CX 500 for Rs 5,198, CX 55 Street for Rs 3,198 and CX 95 Style earbuds for Rs 5,598

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A new rechargeable notebook mouse - Mobile Memory Mouse 8000, with 1 GB of flash memory built right into the transceiver has been released by Microsoft. It is designed to prevent shortage of USB port and its three-in-one tool allows users simultaneously to work wirelessly, save important files with 1 GB of storage, and recharge the mouse without deficiency in performance - all through a single USB port.

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How we did it

THE APPROACH

IT is a peer perception survey, not a *Businessworld* judgement on companies in India – nothing more, but nothing less either. For the past 22 years, *BW*-IMRB's Most Respected Companies rankings have been the litmus test of companies' standing among their peers. As one CEO put it, *BW*'s respect rankings matter more than many other media accolades because they are decided by ratings given by a large number of members of the corporate community and not granted by an elite club over tea and cakes.

This year, we polled 499 senior-level executives across the spectrum of corporate world to identify the most respected companies. That was after we had already polled 682 senior managers to elect most respected companies in 17 sectors and to create a shortlist of 71 top companies for this overall ranking from a starting block of 300 companies.

Among the 71, there were five companies each from 11 sectors: auto, banking, consumer durables, FMCG, infrastructure, insurance, IT, petroleum, telecom, textiles and garments, and travel and hospitality. There were three each from five sectors — auto ancillaries, BPO, media and entertainment, pharma, and retail; and a sole company from the food retail sector.

Three-fourth of the respondents were function heads or general managers and the remaining had higher ranks including managing directors, CEOs, and directors. The average turnover of the companies polled was Rs 659 crore and the average number of employees across the respondents' companies was 2,089. ■

THE PARAMETERS:

1. **Innovativeness**
2. **Quality and depth of top management**
3. **Financial performance and returns to shareholders**
4. **Ethics and transparency**
5. **Quality of product or services**
6. **People practices/ Talent management**
7. **Global competitiveness**

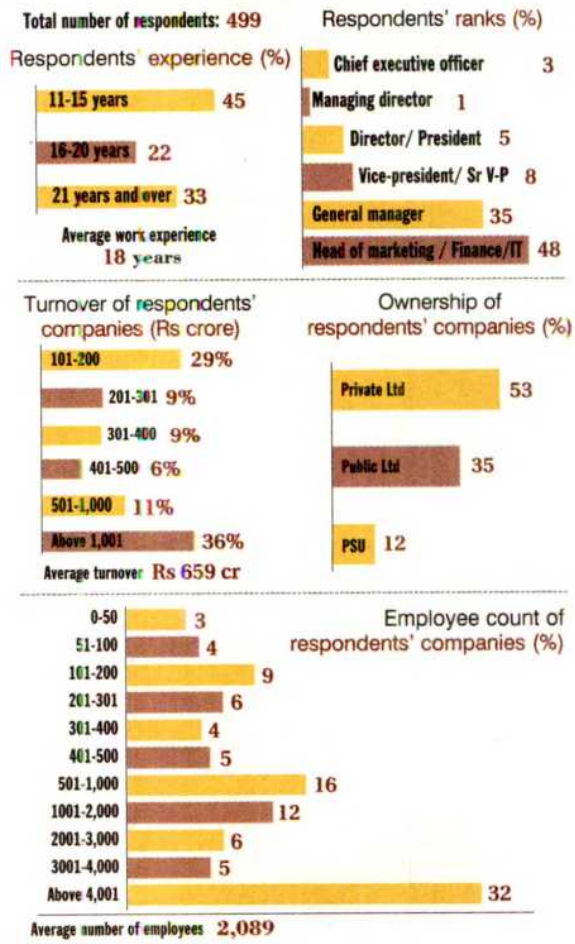
THE SCORING:

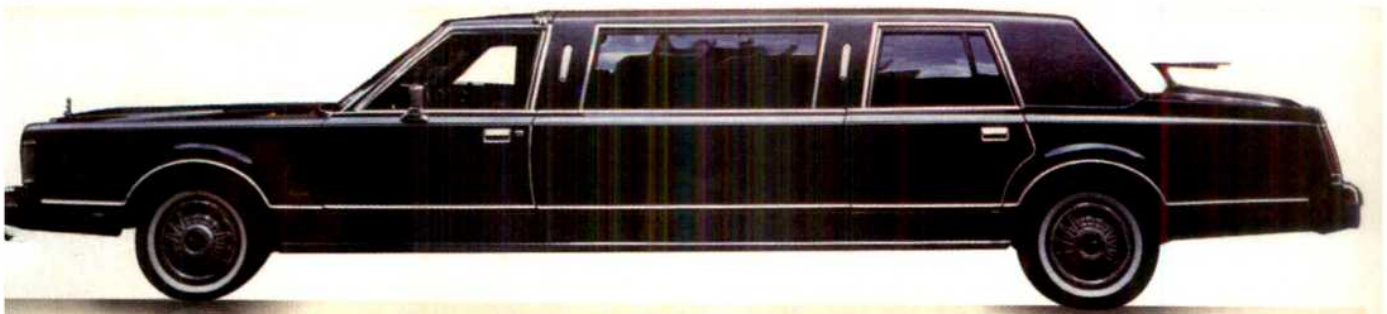
- For each parameter, the mean rating score has been weighted with the number of times that company has been chosen on that particular parameter
- The summation of the score for the company for each parameter gives the total score for the company. The companies are ranked as per the total score they get

THE TIMING:

- **Fieldwork was conducted in May, June and July 2007**

THE RESPONDENTS





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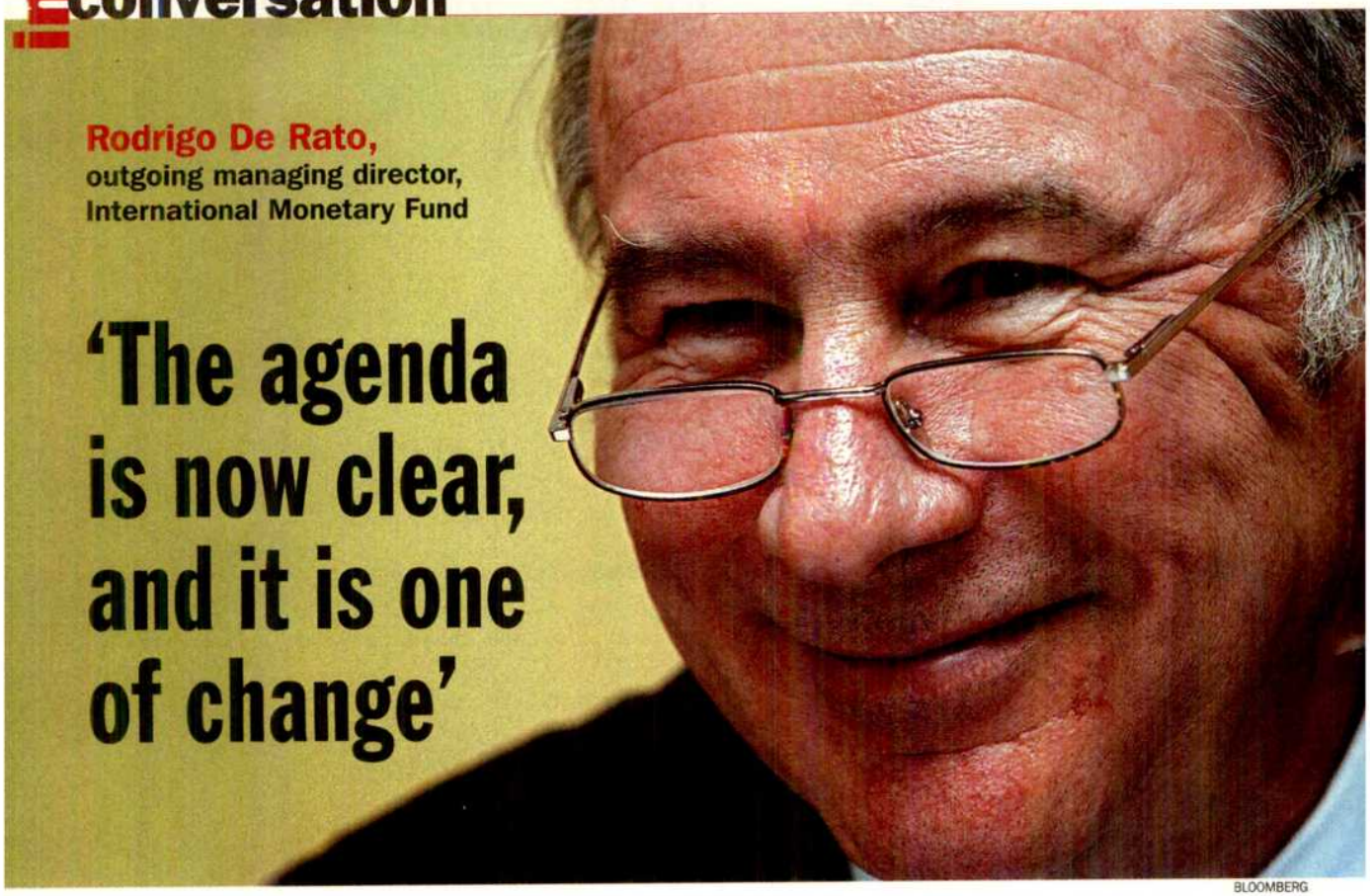
Rodrigo De Rato,
outgoing managing director, International Monetary Fund

'The agenda is now clear, and it is one of change'



BLOOMBERG

ON 31 October, Rodrigo de Rato will step down as managing director of the IMF and hand over to Dominique Strauss-Kahn. De Rato has held the post for just three years. The change in leadership comes a few months after a similar change at the World Bank in June, when Robert Zoellick replaced Paul Wolfowitz.

De Rato's tenure — he was Spain's finance minister before he became managing director at the IMF — was marked by a strategic review of the IMF by its principal shareholders; in recent months, as emerging market economies have built large reserves and current account surpluses, the role and relevance of the IMF has become the topic of considerable debate and discussion, including within the institution. In the lead up to the 2006 Annual Meetings at Singapore, de Rato presented the IMF's medium-term strategy (MTS) that laid out four key issues: changes to voice and representation for the systemically important emerging markets in the IMF's membership, a refocused surveillance programme — including multi-lateral surveillance on key global economic issues — refocusing the role of the IMF in low-income countries, and the need for a new income model for the institution. Will the MTS be de Rato's legacy?

In the week before the 2007 annual meetings in mid-October, de Rato sat down with *BW*'s Srikanth Srinivas in Washington. Excerpts from the interview:

■ *When you first came to the IMF what did you see as the major challenges facing the institution? And how did you approach those challenges?*

■ In hindsight, it seems clear that in 2004, when I joined, the institution was facing some important changes. But I did not know of them then, and also they were not obvious to many people. But all issues are now on the table. The agenda is now clear, and it is an agenda of change — change in governance, change in the way we conduct surveillance over members' economies and focusing it more sharply, and change in our income model that will sustain us in the years to come. These issues were being discussed, but they hadn't been brought together comprehensively. We now have a decision on the surveillance issue, and we have a plan on governance; the first two stages of which we have to implement by the 2008 annual meetings. Work is being done on developing a new income model, and we are moving forward on putting in place a medium-term budgetary framework. These issues will take a long time to be fully resolved, perhaps another five years. The important thing is that we have now initiated action on them.

■ *Last year, we heard a lot about the multi-lateral consultation on global imbalances. How far have you gone on that issue, and what happens next?*

■ We had been warning about global imbalances for a while. We got five countries to sit down and talk about specific issues related to the imbal-

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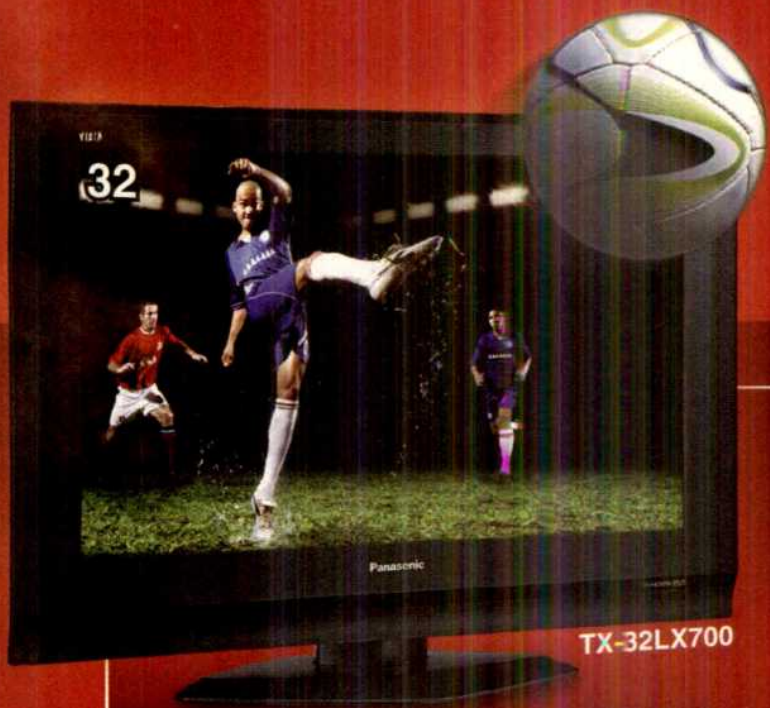

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ances, and I think it was a very useful exercise, in an independent and multilateral setting. We now have a report that all five countries have contributed to, and identified specific areas upon which they will act. That report is an important step in coordination; we are now in the implementation stage, which is tricky. Some action is visible, and some is not. There have been changes in the US economy, and in the euro area, where you see the impact on the currencies. We haven't yet seen anything in China. We have seen increases in social spending in Saudi Arabia. It is not an issue we can go back to every year, but perhaps every two years.

■ *Are there going to be more multilateral consultations?*

■ These consultations need agreement about what to consult on, whom to consult, and to what purpose. There have been expressions of interest at the International Monetary and Financial Committee meetings of the IMF about having one on financial stability, another on managing the economic impacts of climate change may also be possible.

■ *Last year, your MTS proposed changes in governance through voice and quotas. What has been the progress on that, and what can we expect at these Annual Meetings?*

■ Changes in governance in international institutions are not easy to make; we are the only ones who have attempted it recently. I think it is important we do it. We have made specific proposals for ad hoc quota increases to reflect changes in economic weights of countries. We completed the first round in Singapore, and we hope to complete the second round soon, perhaps this year, which will result in a 10 per cent shift in votes and quotas. The Board has agreed to some general principles in the calculation of the quota formula. GDP, in, perhaps, a blend of purchasing power parity and market prices will account for 50 per cent in the formula. There is also broad agreement on at least a doubling of basic votes to protect the interests of low-income countries. There is still a lot of work to be done, but we have made good progress.

■ *How will this shift voting percentages away from developed countries to emerging ones? Industrialised countries still have the majority of the votes.*

■ There are two majorities that matter, in a technical sense: 51 per cent and 85 per cent. However, the Board is consensus-driven and majorities may not matter all that much. The change in voting percentages will allow several majorities. These majorities will be useful in moving issues on the agenda, and the best thing they offer is pluralism, which is crucial in looking at different approaches and different alternatives.

■ *Let's talk about low-income countries. Despite assertions about their importance to the work for the IMF, countries prefer to go to new aid providers like China. They still find the IMF onerous, and prefer alternative sources of finance that are now available to them.*

help on policy issues, on macroeconomic management and technical assistance.

■ *About the IMF's net income position, how important is addressing that to be able to attract the best talent to the institution?*

■ This is a complex issue. Certainly, the IMF needs to have a new income model. The present one is woefully outdated. There is broad consensus that the institution cannot be married to a single source of income. The new model will probably have a more competitive cost structure, and will also be a more efficient one. There is also consensus that we will not repeat some of the things we did before, and this is likely to have an impact on career planning and design. Yes, we need more people with real financial markets experience, and the competition for talent is fierce. We probably need to have people come in here, stay for 5-7 years, and then rotate out back into other job markets. The market for economists is also exploding, and IMF economists will have the same kind of choices. The institution will have to make its career design flexible.

> "The juxtaposition of China versus the IMF as an option for low-income countries is oversimplified. It is a reality that countries can go to any other country for capital"

■ China is an important part of the global economy, and there's no country that doesn't go to China. It is, after all, the third largest economy in the world, and contributed to almost half of global growth in 2006. But that has nothing to do with the role of the IMF in these countries. The juxtaposition of China versus the IMF as an option for low-income countries is oversimplifying. And it is a part of today's reality that countries can go to any other country in the world in search of investment capital. There's no avoiding that. But that also means new rules, and new risks. Globalisation imposes much rougher, harsher conditionality, and our role is to help countries navigate those rules and risks. Low-income countries still need

■ *What next for you personally?*

■ Immediately, my priority is to get out of here (laughs). Once I have gone through the next two weeks, and navigated through all the paperwork I have on my desk, I will have some breathing room. I will probably take a few weeks off to think about the future. I need the rest, I think. I know definitely that I am going into private life, but have nothing that is already decided. ■

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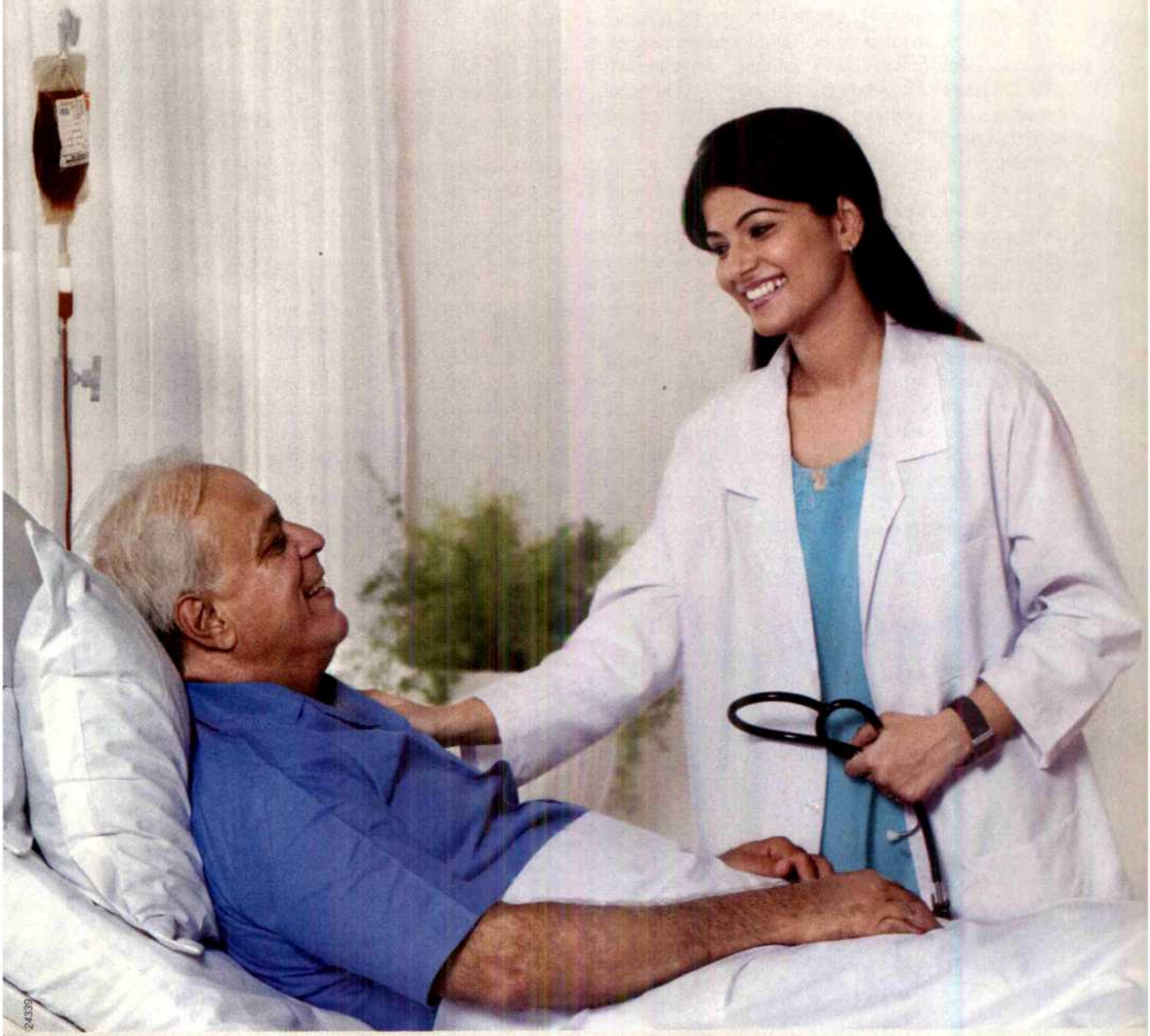

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The BIG shift

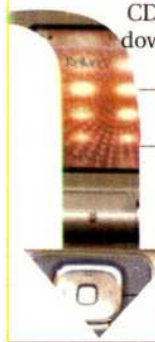
ANUP JAYARAM

THE decision by Reliance Communications and Tata Teleservices to migrate from CDMA to GSM mobile will send tremors as far away as San Diego, California where CDMA's patent owner, the $7.5 billion (Rs 30,000 crore) Qualcomm is headquartered.

On 18 October, Reliance Communications, with 31.28 million CDMA (code division multiple access) mobile subscribers, got a licence to start GSM-based mobile services. The next morning it paid Rs 1,651 crore as entry fees. Along with Reliance, two small CDMA players Shyam Telecom (Rajasthan) and HFCL Infotel (Punjab) also received their licences to begin GSM services. After the long Dussehra weekend, Tata Teleservices (TTSL), with 19.5 million CDMA subscribers, also applied for a GSM licence.

"These are the first signs that CDMA is on the wane in India," says a telecom expert. Senior Qualcomm India officials, however, refused to comment on the recent developments.

While Shyam and HFCL are minor CDMA players, it's the exit of Reliance and Tata Teleservices that has dealt the biggest blow to Qualcomm and portends a rocky road ahead for the technology holder.



CDMA: Losing out globally

CDMA subscriber numbers have slowed down for the first time in five years, while GSM subscribers continue to grow

Year	CDMA	GSM	Total	GSM share %
2007	0.387	2.38	2.82	84.39
2006	0.373	2.26	2.69	84.16
2005	0.301	1.76	2.17	81.10
2004	0.240	1.31	1.71	76.60
2003	0.188	1.04	1.38	75.36
2002	0.146	0.81	1.14	71.05

All figures are in billion. Source: CDMA Development Group and GSM Association

A lot of the trouble that CDMA faces today can be traced back to the proprietary control that Qualcomm has wielded on the technology since its launch in 1989. Qualcomm earns 5 per cent of the revenue on every CDMA handset sold. In sharp contrast, GSM is an open source technology, and is not owned by any company. This is bad news for Qualcomm whose average revenues from CDMA handsets sales have already fallen dramatically after prices of handsets fell from $40 (Rs 1,600) to $22 (Rs 880) last year. At least a third of Qualcomm's global revenues and 71 per cent of its profits still come from handset and equipment royalties.

The Hits Just Keep On Coming

The bad news does not end here. Earlier

CDMA operators around the world are now switching to GSM services

LEAPFROGGING: Reliance Communications plan to move to GSM services from CDMA has been approved by authorities

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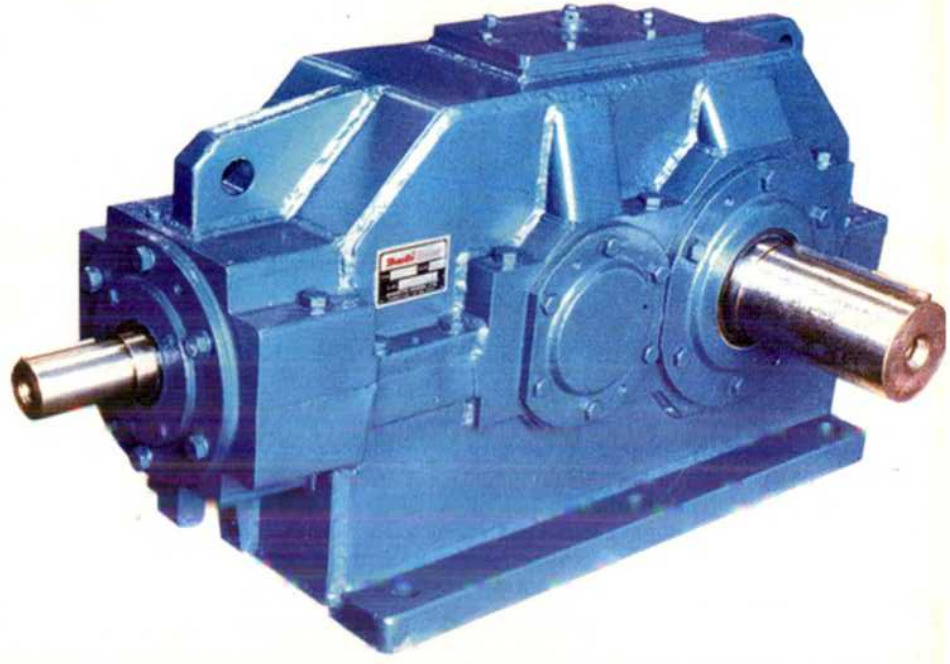

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Jumping over hurdles

EVEN as Reliance Communications was issued a licence to offer GSM mobile services, the Telecom Commission insisted that existing GSM operators like Bharti Airtel, Vodafone Essar and IDEA Cellular must meet the new subscriber norms specified by the Telecom Regulatory Authority of India (TRAI) to get additional spectrum. This means that these players will have to at least double their subscriber base before they can make further moves.

This was a huge leg-up for Reliance, which will be able to move into these circles with the newly allotted spectrum while the GSM operators will have to wait till they can ramp up their subscriber numbers.

The Telecom Commission's stand has enraged the Cellular Operators Association of India (COAI). "It's a scam," fumes T.V. Ramachandran the director-general of COAI. He points out that till 12 October existing operators were told that their applications for spectrum were under active consideration of the Department of Telecommunications (DoT). While COAI has now filed a law suit with the Telecom Disputes Settlement and Appellate Tribunal (TDSAT), its hearing for the same has been deferred to 12 November.

COAI has also questioned its charging of Reliance for the spectrum. Logically, if both GSM and CDMA spectrum are added together, it will have to pay a much higher spectrum charge. Also, it has paid a full licence fee despite already having GSM services under the Reliance Telecom brand in eight eastern circles.

Industry experts say that Reliance might now become the flagbearer for number portability, a move where it could gain the most from a possible churn that existing GSM operators could face due to network congestion. As Ramachandran says, "They do not have a licence, but a super licence." ■

this year, Nokia, one of the world's largest handset makers, stopped production of CDMA handsets and announced it would concentrate entirely on manufacturing GSM handsets.

The Indian exits worsen CDMA's position in the global mobile market where it is already on a downslide. The two Indian operators account for 12.91 per cent of the global CDMA subscriber base of 387 million. Their exit signifies the beginning of the end of CDMA mobile services in India.

"The fact that no GSM operator in India wants to start a CDMA service is a clear indicator of the direction in which the industry is heading," says a telecom analyst. Worse still, Indian operators are no longer investing in CDMA. Reliance may not totally exit CDMA as it invested heavily in deploying a network. Still, it may not make more capital investments in the future. It has already started mobile services in 100 towns within six months of being allocated GSM spectrum.

Global shift to GSM

The biggies who are moving out of CDMA

TELEFONICA MOVILES	Mexico
TELSTRA	Australia
VIVO	Brazil
RELIANCE COMM.	India
TATA TELESERVICES	India

At the end of March this year, GSM, with 2.38 billion of the 2.82 billion global mobile users, accounted for a hefty 84.39 per cent of the mobile subscriber market, against CDMA's 15.61 per cent. More importantly, GSM's marketshare vis-a-vis CDMA has grown from 71.05 per cent in 2002.

A Global Problem

CDMA's slow death is on account of some very high-profile global migration from the technology. Nearly two years ago, Australia's Telstra, with 9.2 million subscribers, decided to dump its CDMA network in favour of 3G services on the GSM platform. In August 2006, Brazil's Vivo with 30 million subscribers did the same. China Unicom, which provides both CDMA and GSM services, has 116 million (around 75 per cent) of its 156 million subscribers on the GSM network. Also, the real growth is happening in the GSM network. Mexico's Telefonica Moviles has also changed tack to GSM services.

In India, Qualcomm's problems began last summer when Reliance Communications first talked of exiting CDMA. It is said that the high royalties charged by Qualcomm were constraining the growth of its business. As a result of the standoff, Qualcomm's shares fell from $42 (Rs 1,680) to $35 (Rs 1,400) (16.7 per cent) on the Nasdaq. Soon after, Qualcomm CEO Paul Jacobs flew down to India and met up with the then communications minister Dayanidhi Maran and officials of both Reliance Communications and Tata Teleservices. Jacobs refused to reduce royalties but promised to work with handset makers to reduce prices. That, however, was not enough to satisfy the Indian operators.

Aware of its plight, Qualcomm itself has been preparing for the slowdown in CDMA for some time, now. The company has diversified into new technologies like MediaFLO for mobile TV broadcasting, which now accounts for a marginal proportion of its revenues. But Qualcomm's existence is crucial for the 241 international telecom operators who continue to use CDMA technology. They will depend on Qualcomm again when they migrate to 3G technologies on the next-generation WCDMA platform. In the WCDMA arena, Qualcomm owns several patents. However, it does not have full control over the standard as Nokia and Broadcom have also developed some proprietary technologies to support the network stack.

Qualcomm now has to try and get itself out of a difficult situation where it is battling giants such as Nokia on one side and large operators like Reliance on the other. Paul Jacobs will have to pull off a miracle like his father Irwin did, each time Qualcomm was faced with a crisis of existence. ■

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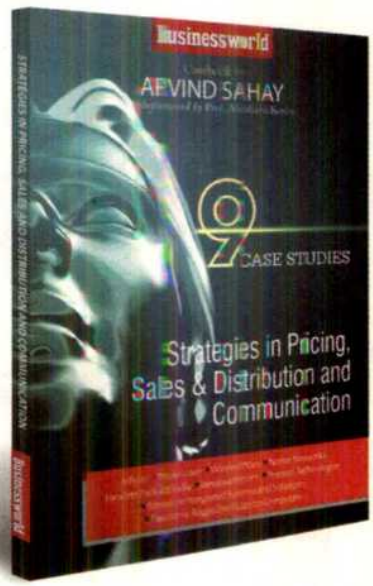

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SUMATI NAGRATH

ANUPAM YOG, CEO, Mirabilis Advisory ▶▶▶

Job Profile: Branding and marketing cities and institutions

Education: B.A. Political Science, Venkateshwara College, Delhi

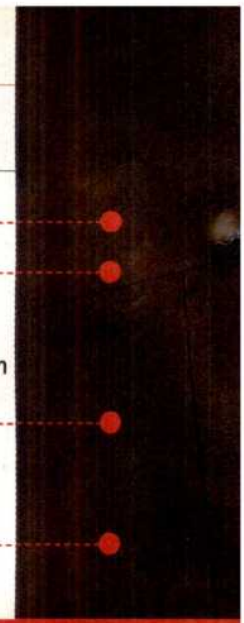
Major milestones

2007: Set up his own branding consultancy firm
2006: Organised an IBEF campaign at the World Economic Forum
2001: National Committee President, AIESEC India

Heroes:

Siddharth Yog: Elder brother and co-founder of the Xander Group
Arun Maira: CEO, Boston Consulting Group, India

Interests: Hindustani classical music and travelling



Metro YOGI

Anupam Yog's passion, and vocation is to turn cities into big brands

THE pace of technological and social change, led futurologist Alvin Toffler to state in his 1970 book *Future Shock* that 70 per cent of future jobs did not exist in society at that point in time. Today, the 28-year old Anupam Yog typifies the kind of changes Toffler predicted 37 years ago.

While not as exotic as a teleportation specialist, Yog and his team of three have done well to capitalise on opportunities that arisen as a result of India's recently amplified presence in the global economic and cultural landscape.

Mirabilis Advisory, Yog's company, is less than a year old. It specialises in advising countries, cities, regions and institutions on marketing and branding strategies for India. "Today, the challenge is not connecting India to the world, but connecting the world to India," says Yog. He feels that while a lot of interest has been provoked in India, not enough has been done to translate this interest into tangibles, especially for not-for-profit and public sector institutions.

A Matter Of Chance

Mirabilis Advisory was born from Yog's desire "to not really have a job and do something that was creative and would have an impact". It has already landed three big projects as official consultants to the office of the Mayor of London, the UK-based Volvo Ocean Race, the world's longest yatch race, and the Bay Area Economic Forum in the US. All this came together because "a lot of things just happened to be" says Yog.

After quitting as a consultant at the India Brand Equity Foundation (IBEF), one of Yog's advisors introduced him to the London Development Agency. Yog decided to take his chance. Convinced of his 'proof of concept' he arrived in London with a single point agenda — to win over the Mayor of London's team. "The people I spoke to were willing to take me on board, despite my relative inexperience," says Yog in his characteristic soft-spoken manner.

"Luck is always a strong factor in anything one does." Of course. Yog must have sensed the opportunity while handling the Confederation of Indian Industry's Incredible India campaign. Contacts came easily. All current projects have come through word-of-mouth. "We have never had to go out and pitch for a project," he says. "People who have known me and worked with me in the past have referred my services to other people."

He looks up to his older brother Siddharth, a Harvard Business School alumnus and a founder of the Xander Group, a global private equity firm, for inspiration and guidance. "Siddharth paved the path on which I walk today." But stepping out of the shadows of a successful older sibling is never easy. "I had to work really hard at figuring out what it was that I really wanted to do without being influenced by my siblings' opinions," says Yog.

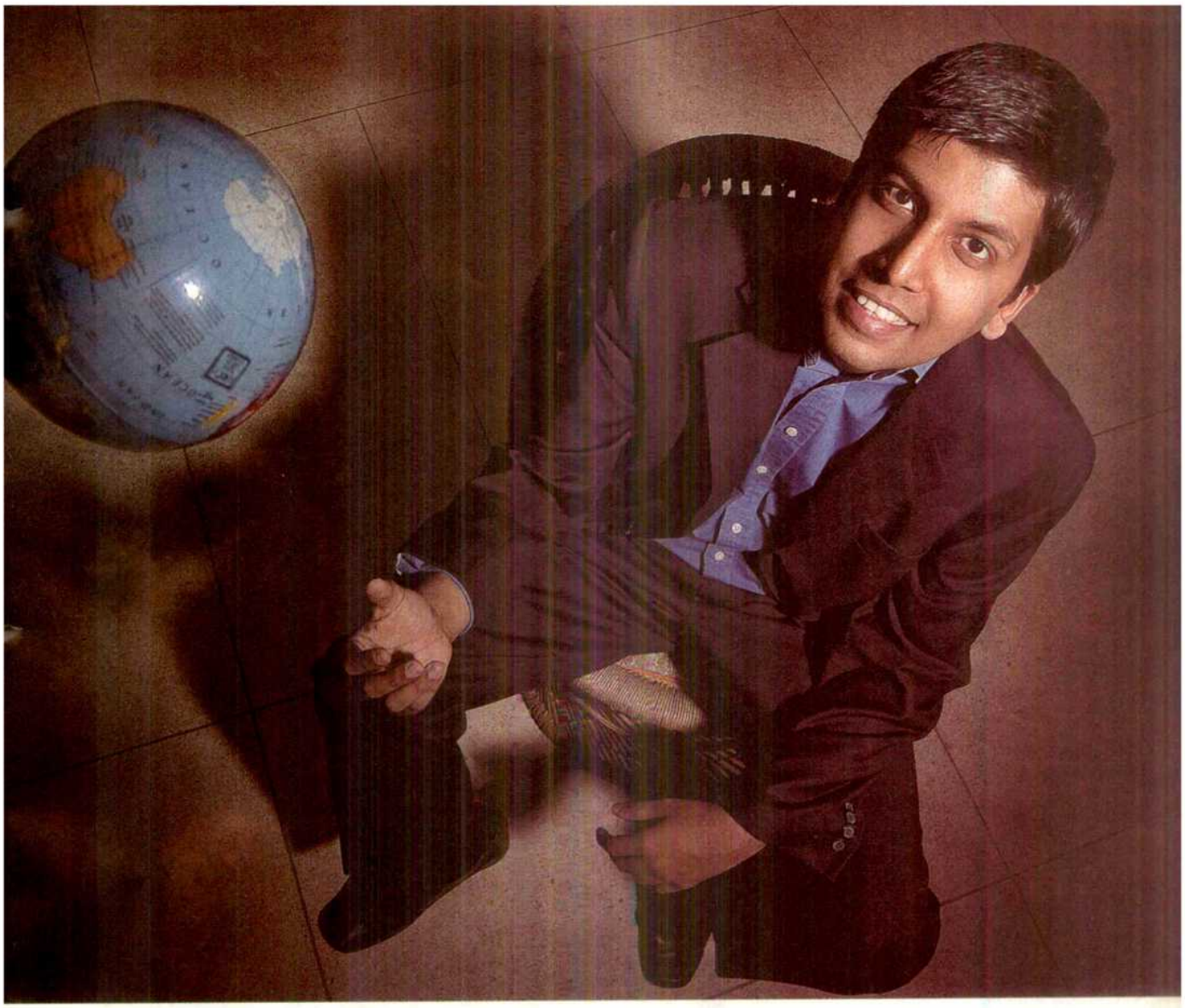
He mentions 'the cause', which he describes as "being true to what one does". In his case, it's about "facilitating, managing and catalysing change in a manner that does not exclude anyone".

AMIT VERMA

Dreaming Big

Mirabilis Advisory's work with the London Mayor's office and his attempts to bring the VOR to India, tie in with this mandate. "We identified five practice areas in which to build brands," says Yog. "These include heritage, sports, education, government and the media. We want to understand these five areas and be able to speak about them with authority. At the moment, we are creating marketing and branding strategies across this matrix."

Yog anticipates there being some criticism about encouraging Indians to spend their money in London, rather than having Londoners come here. "One has to realise that it is two-way traffic," he says. "By getting international cities, events and institutions in



India, we create synergies that make it possible for collaborations and an awareness of possibilities for various Indian organisations." He also points out that bringing the VOR to Kerala could mean a boost for tourism as well as creation of local jobs.

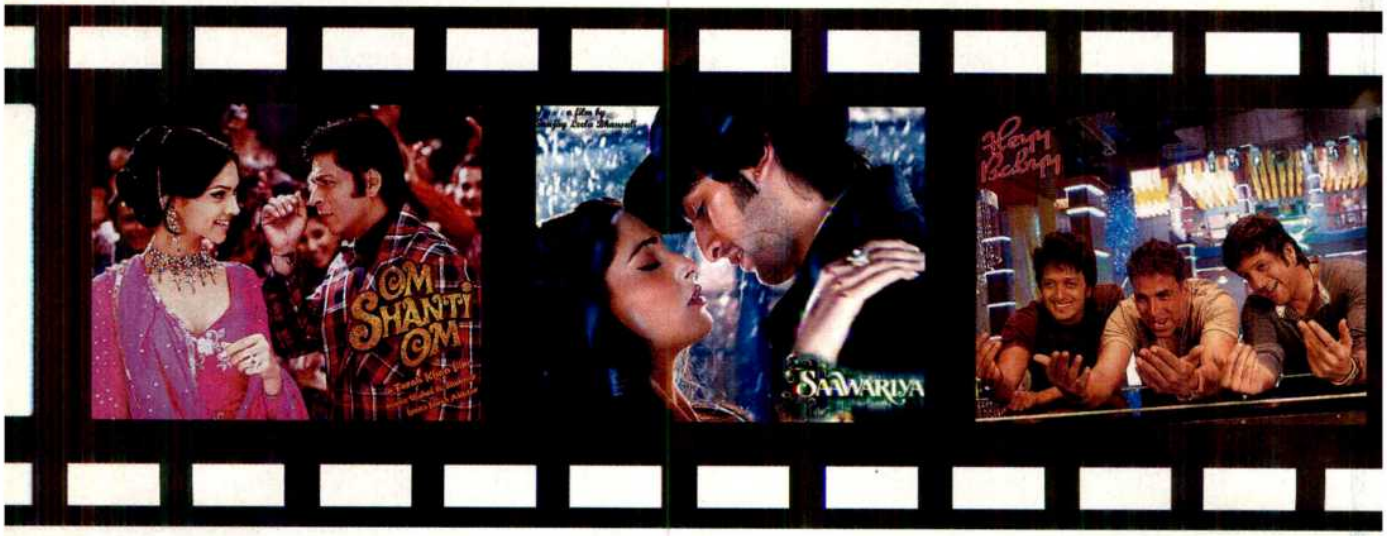
Prior to setting up his own company, Yog spent more than four years working as a consultant at the IBEF. "Anupam was one of the founding team members of IBEF and a great asset," says Ajay Khanna, CEO of IBEF. "He has the ability to work 48 hours in a day."

Even though he disliked the structured environment and limited creative freedom, Yog acknowledges the importance of his IBEF stint. "It was during my time at IBEF that I learnt that marketing and branding strategies do not have to be advertising led. And that it is actually impossible to brand India." "While the vision of branding India was quite compelling, I realised that India as a country cannot be reduced to a tagline like 'Malaysia — Truly Asia.'" Now he has moved from trying to market India to marketing in India. A sign of the times, perhaps, when the former colonial masters are looking to be re-branded and sold to countries they once colonised.

Yog's most striking feature is his apparent lack of cynicism. While acknowledging problems he simultaneously believes that it is possible to find solutions with the right attitude and resources. That attitude shines through in the manner in which he deals with a waiter who has just bungled his dinner order. Yog continues; "Even though I am bullish on India, I recognise that there still isn't enough infrastructure to support entrepreneurship and this needs to change pretty dramatically in the next few years." And he is more than willing to contribute to this change.

Being part of AIESEC, the world's largest youth organisation, has according to Yog, been the defining period of his life. He joined the organisation while pursuing a degree in political science at Delhi's Venkateshwara College, and was soon elected president of AIESEC India. "Running a large organisation, making your own mistakes and taking your own decisions was a very rewarding experience and a steep learning curve.".

"We, at Mirabilis Advisory, hope to work with the government and other organisations on issues of regeneration," he says. Preservation of heritage is something that is close to Yog's heart. "India has a heritage that we may not care about, but other people do and they want to help preserve it, and we will support their effort to do so," he adds. ■



Om Shanti Om
Cost of production: Rs 35 cr
Star price: Movie is produced by lead star SRK's own Red Chillies Ent.
Releasing on: 9 November

Saawariya
Cost of production: Rs 25 cr
Star price: Debutants Ranbir and Sonam Kapoor, Rs 1 crore each
Releasing on: 9 November

Heyy Babyy
Cost of production: Rs 25 cr-30 cr
Star price: Akshay Kumar, Rs 7 crore
Released on: 24 August

BUCKS SANS

Unable to grow beyond a self-limiting A-list of stars and directors, Bollywood is flush with big money but little else.

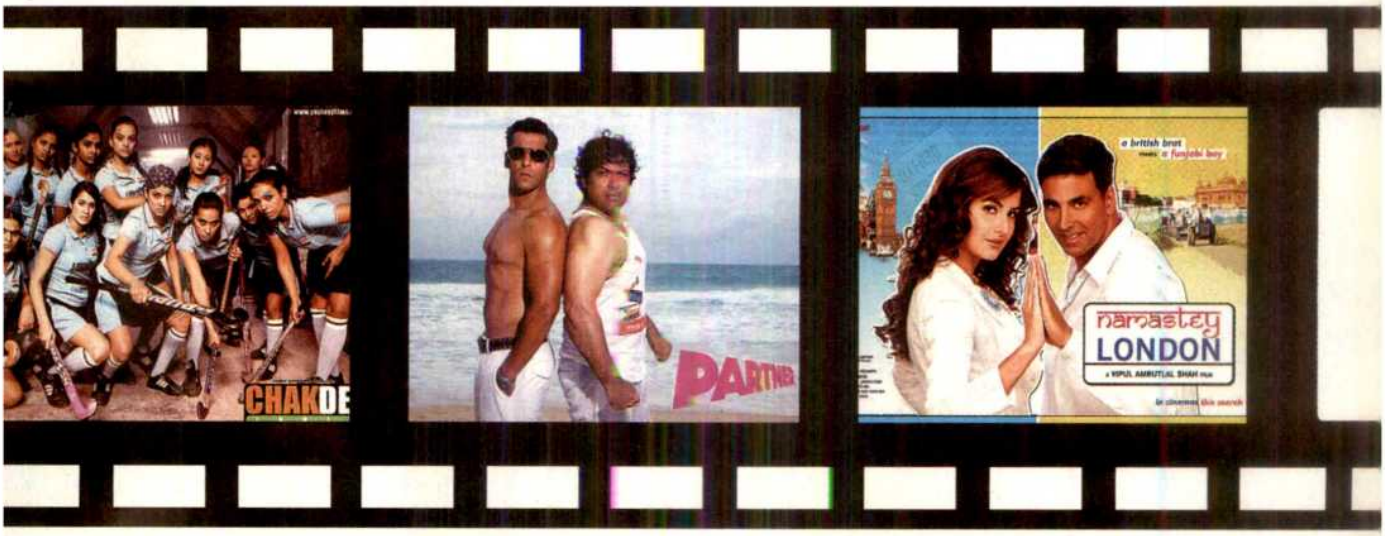
By Gurbir Singh

EVEN as this is read, two of the most elaborate and expensive Bollywood movie marketing campaigns are under way: Sony Pictures' *Saawariya*, directed by Sanjay Leela Bhansali, and Shah Rukh Khan's Red Chillies Entertainment's *Om Shanti Om*, helmed by his buddy Farah Khan. Both big budget projects take a bow on 9 November as Diwali releases. The festival is a fortnight away, but it's fireworks already.

Marketing couldn't get savvier. These movie projects are spending 25-30 percent of their budgets on pulling in their audiences. Networking with group companies Sony Electronics and cell phone handset maker Sony Ericcson for give-aways and film downloads, Sony Pictures is investing nearly Rs 10 crore in publicity and promotion. The company has inked another Rs 10-crore merchandising deal with Kishore Biyani's Future Group for *Saawariya*-branded products. *Om Shanti Om* is not far behind. The SRK-starrer has a Rs 8-crore merchandising deal with Shoppers' Stop. Its Rs 25 crore-30 crore brand campaign has been co-ordinated by Madison Mates. But King Khan prefers to be the film's chief marketer. Days before the movie's launch, he is hard-selling his film across TV, radio and print.

Even in competition, *Saawariya* and *Om Shanti Om* have set a new and combined revenue target for Bollywood. *Saawariya*'s target is a relatively small Rs 35 crore-40 crore. *Om Shanti Om*, on the other hand, has been purchased by Kishore Lulla's Eros International for a whopping Rs 75 crore. To break even by bringing in Rs 100 crore-plus, the makers of *Om Shanti Om* have to pray for a monster hit.

"On the face of it, Eros' purchase of *Om Shanti Om* for Rs 75 crore seems like a calculated risk, a 20 per cent hike from *Chak De*'s selling price of Rs 60 crore,"



Chak De! India
Cost of production: Rs 15 cr
Star price: Shah Rukh Khan, Rs 8 crore
Released on: 10 August

Partner
Cost of production: Rs 25-cr-30 cr
Star price: Salman Khan, Rs 5 crore
Released on: 20 July

Namastey London
Cost of production: Rs 22 cr
Star price: Akshay Kumar, Rs 4 crore
Released on: 9 February

THE BANG

says Manmohan Shetty, veteran producer and chairman of Adlabs. "For Eros, *Om Shanti Om* will cost another Rs 25 crore for prints, marketing and promotion," says Shetty. "Can they cover Rs 100 crore, and then make a profit? If they do, the film industry will scale new heights. If they can't, the bubble could burst."

This imminent face-off is indicative of how Bollywood, like most parts of the economy, is spilling over with cash that executives and producers are in a hurry to spend. Producers are assiduously spending as much as 25-30 per cent of their total project cost on marketing budgets designed to dazzle audiences into buying tickets, up from just 5 per-cent 2-3 years ago.

The marketing is maturing, but it is also perplexing. Bollywood was beset by a string of flops earlier this year. Investors are chasing a small pool of directorial talent and star actors even as movie-making and movie-buying costs turn into the stuff of dreams — or nightmares.

Compared to the string of hits in 2006 — *Rang De Basanti*, *Fanaa*, *Krrish* and *Dhoom-2* — the first half of this year was a disaster. *Salaam-e-Ishq* was expected to perform well but love's labours were lost. *Eklavya* and *Nishabd* fared even worse: the latter opening at 40 per cent occupancy. Mani Ratnam's *Guru* did unexpectedly well. *Aag* bombed, *Ta Ra Rum Pum* made no music, *Partner*, *Heyy Babyy* and *Namastey London* succeeded, and *Chak De* won hearts without so much as a song and dance. It's unpredictable business as usual at Bollywood.

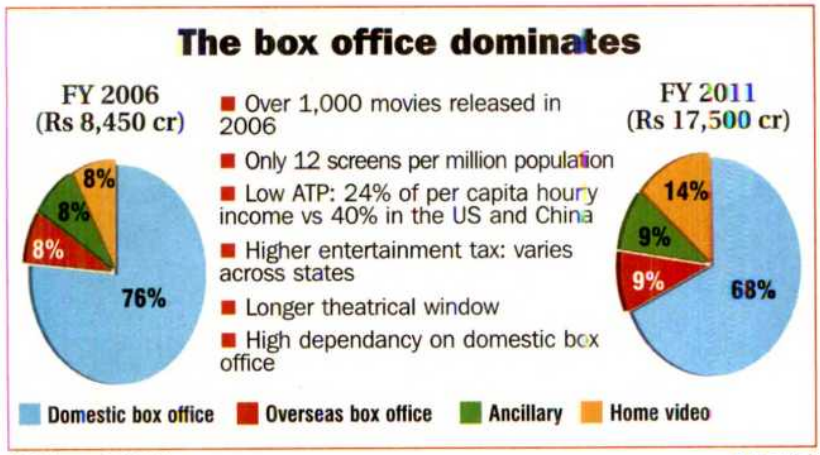
Despite the poor showing, old and new players have been able to raise large sums from investors in India and abroad. The more prominent among them are TV 18 (now called Network 18), which raised $100 million (Rs 400 crore) on London's AIM Stock Exchange for its subsidiary, Indian Film Company. UTV raised $70 million (Rs 280 crore) and Eros International mopped up $150 million (Rs 600 crore) by tapping equity investors on AIM too.

With so much money overwhelming limited production pools, actors' and directors' fees have risen dramatically, putting a question mark on quality and creativity. "These companies have collected the money from IPOs and PE investors. Now they have to meet the growth targets," says film consultant Sanjay Bhattacherjee.

Daydreams For Sale

While UTV has been in the business of film production and distribution for some time, Eros was mainly distributing Bollywood films in the overseas market. Network 18, a news broadcaster, is a relatively new entrant in film production.

Sony Pictures Releasing India (SPRI) has inked a long-term, non-exclusive joint venture deal with Eros International for the production of 5-6 movies over the next 18 months, and co-distrib-



ATP: Average Ticket Price

Source:PwC

ution of some titles, including three international films next year. A big distributor of foreign films so far, *Saawariya* is SPRI's production debut. "We took a long time coming, but you can't come in too early before the market opens," said SPRI CEO Uday Singh. "The US studios are excited with multiplexes cranking up the market, and now there is accounting of box office numbers too," he adds.

While it's difficult to get numbers from these non-listed entities, company sources said SPRI plans to invest Rs 250 crore over the next 2-3 years and is expected to make a major Bollywood expansion announcement next month.

Meanwhile, PVR Cinemas has done a deal with Aamir Khan Productions to make two movies for Rs 40 crore. Adlabs has 'booked' Hrithik Roshan for three movies to be produced over three years for Rs 36 crore. Salman Khan and Sohail Khan along with Network 18 will produce a series of films for Rs 90 crore. Percept Picture Company has given director Priyadarshan a Rs 10-crore assignment to produce 10 small-budget films. But the biggest production factory could well be Farhan Akhtar's Excel Entertainment. It is believed to be in a Rs 220-crore project with Network 18 and Adlabs for making five big movies.

It's A Man's World

The movie-making scramble is, however, for only a few actors, and they have to be male! This hot club of happening stars admits only Shah Rukh Khan, Hrithik Roshan, Salman Khan, Aamir Khan and Saif Ali Khan. Akshay Kumar recently gained entry. Abhishek Bachchan and Sanjay Dutt wait in the wings. "Rs 1,000 crore in IPO money is chasing these guys," quips Bhattacherjee.

Jodha Akbar, being produced at a cost of Rs 40 crore by the UTV-Ashutosh Gowarikar partnership, is believed to have takers at Rs 80 crore. Last year's top grossers, *Krrish* and *Fanaa*, took home Rs 40 crore-60 crore. Pointing to the tough market, Shetty says Adlabs stepped aside from bidding for the Vipul Shah-produced *Namastey London* at Rs 27 crore after Eros offered Rs 32 crore, "They say they have still not covered their investment."

The new money has made actors greedier. The upstart on the scene, Akshay Kumar, who commanded Rs 3 crore-4 crore till the beginning of this year, now wants Rs 16 crore. SRK and Aamir Khan have stopped acting for other banners and have turned producers themselves. SRK's Red Chillies Entertainment and Aamir Khan Productions will cast the respective actors in projects they do themselves, or in alliance with other production houses. "It's scary. The rising cost of talent and distribution rights is fast outpacing the revenue these films can earn," said Salil Pitale, who heads Enam Consultants' media and entertainment division.

Ronnie Screwvalla's UTV is backing what must be the most expensive gambit by an Indian entertainment company. *The Happening*, a sci-fi thriller directed by M. Night Shyamalan with a $57-million (Rs 228 crore) budget is being co-produced by UTV. Screwvala is bringing in $27 million (Rs 108 crore). If the movie succeeds, Hollywood may open its doors to Indian money and talent. If it doesn't...that's a lot of money.

The Trouble With Selling Tinsel

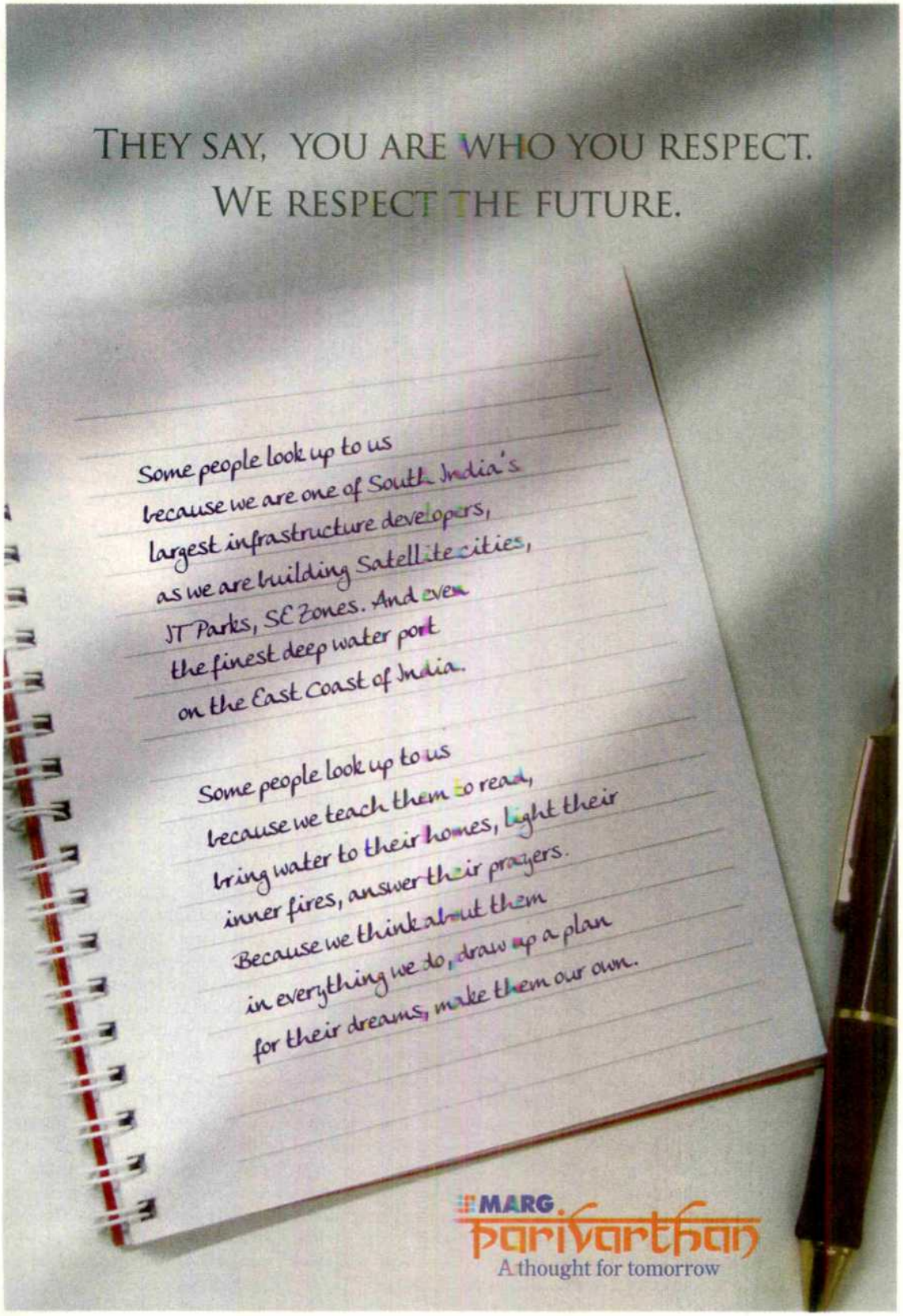
The Hindi film industry has not managed to expand in tandem with escalating consumer needs. A PriceWaterhouseCoopers (PwC) report on the entertainment industry estimates the size of the film industry as a whole at around Rs 8,450 crore, and anticipates it will touch Rs 17,500 crore by 2011. Of this, Bollywood's share can be reasonably placed at 75 per cent, or about Rs 6,000 crore.

Some analysts see this as unwarranted optimism. For instance, Enam's Pitale prefers to trust the only hard data available on Bollywood — multiplex box office figures that put collections at Rs 800 crore annually. This number does not include sale of food and beverages. "If multiplexes contribute 30 percent of Bollywood's revenue, one can project total box office revenue to be in the Rs 2,500-3,000 crore range," Pitale says. Again, if domestic box office collections account for 65-70 per cent of total revenue, and international distribution, satellite rights and music for the remaining 30 per cent, it may be reasonable to currently peg a Rs 4,000 crore revenue tag on Bollywood, Pitale says.

Conservative players such as Manmohan Shetty see the problem as one of Bollywood's inability to scale up to the market's requirements. With limited grade I stars and directors available, the industry at best produces a dozen big films in a year. "This is not enough to feed the burgeoning number of screens and generate big enough box-office revenues," Shetty says.

Like a complex plot with many tracks, the star-driven industry has only a few premium production houses, not to mention directors, with the ability to create a sustainable pipeline of movies.

Ram Gopal Varma aptly named his company the 'RGV Factory' but after his string of three flops this year — *Shiva*, *Nishabd* and *Aag* — the factory seems to have suspended production. Bhatacherjee points out the old producers such as Venus, Tips and Vashu Bhagnani, too, are on the decline. The survivors combine production with direction, and are better placed to judge the pulse of a volatile industry. The really powerful names in Bollywood now are Yash and Aditya Chopra, Karan Johar, Sanjay Leela Bansali, Vipul Shah and Ashutosh Gowarikar.



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With a rapid turnaround built into the new scheme of things, these production houses have to deliver at top speed, often throwing creativity and production values, not to mention good money, out of the box-office window. Sequels are seen as a fair sign of this creative bankruptcy. *Dhoom-2* and *Don II* are now on the floors with their third remakes. *Golmaal, Phir Hera Pheri, No Entry* and *Mr India* have their sequels coming up too. Such assembly line production consigns the market to mediocrity, and an increasingly discerning audience refuses to be lured by the repetitive razzmatazz. For instance, RGV's *Aag*, a remake of the classic *Sholay*, was burnt by the audience's cold response to it.

Still *Maange* More

The turn of the millennium was a watershed year for Bollywood. An oppressively feudal village till then, it suddenly seemed ready to embrace corporatisation. The government, after a long campaign, gave 'industry' status to *filmwallahs*. The IDBI Act was suitably amended to allow banks to fund movie projects. The film negative was recognised as collateral.

New and 'offbeat' production houses like Bobby Bedi's Kaleidoscope Entertainment used the opportunity to make 'real' movies with funding from IDBI. Corporates did not take long to succumb to the glitz. Tata Infocom, Mid-day Multimedia (*Black Friday*) and Kumarmangalam Birla's Applause Entertainment (*Black*) were among the marquee names that announced big film projects. Hollywood-style completion bonds were drawn up to make wayward stars adhere to strict production schedules. Law firms such as Amarchand Mangaldas started coaching film producers on proper funding proposals.

But by 2005, the party was fizzling out. Some of the big corporate names said they were quitting an industry they did not understand; it was not their core competence. Tata Infocom formally announced its exit. Metalite Productions, a group of Singapore-based financiers led by Rakesh Aggarwal, who announced a dozen titles in 2003, endured a string of flops, including *Ishq Vishq Pyar Vyar*, before leaving the stage without an encore.

Yash Chopra, current chairman of FICCI's entertainment committee, told this writer quite bluntly a while ago, that Bollywood neither needed bank financing, nor did the corporate way of doing business gel with the film industry's culture. This was reiterated a few weeks ago when SRK signed a front-page statement in a business daily, appealing that corporates should not burn their fingers by dabbling in film production. It is as yet unclear whether this was done with the intention of reducing competition for traditional Bollywood *badshahs*, or a genuine cautionary signal. Regardless of who pens it, the writing is on the wall.

PwC's report on the entertainment industry for 2007 acknowledges that only Rs 180 crore has been sanctioned by IDBI for film production since 2000, of which only Rs 85 crore-90 crore has been actually disbursed over seven years. Film production houses such as Balaji cancelled bank loans they had been sanctioned.

Corporate investment is back as the flavour of the season this year, but with a difference. Rank outsiders are given no space in the picture, and the expansion appears to be in the direction of the Hollywood studio model, where film industry players are striving for a presence in all departments — production, distribution and exhibition.

Network 18 has announced a technical collaboration with US major Viacom for filmmaking in India. Adlabs has moved from being a processing lab to exhibition, production and distribution. In its latest round of expansion as a Reliance-ADAG company, it is creating three production floors at Mumbai's Film City and is adding a post production studio covering 10,000 sq.ft at its Goregaon HQ.

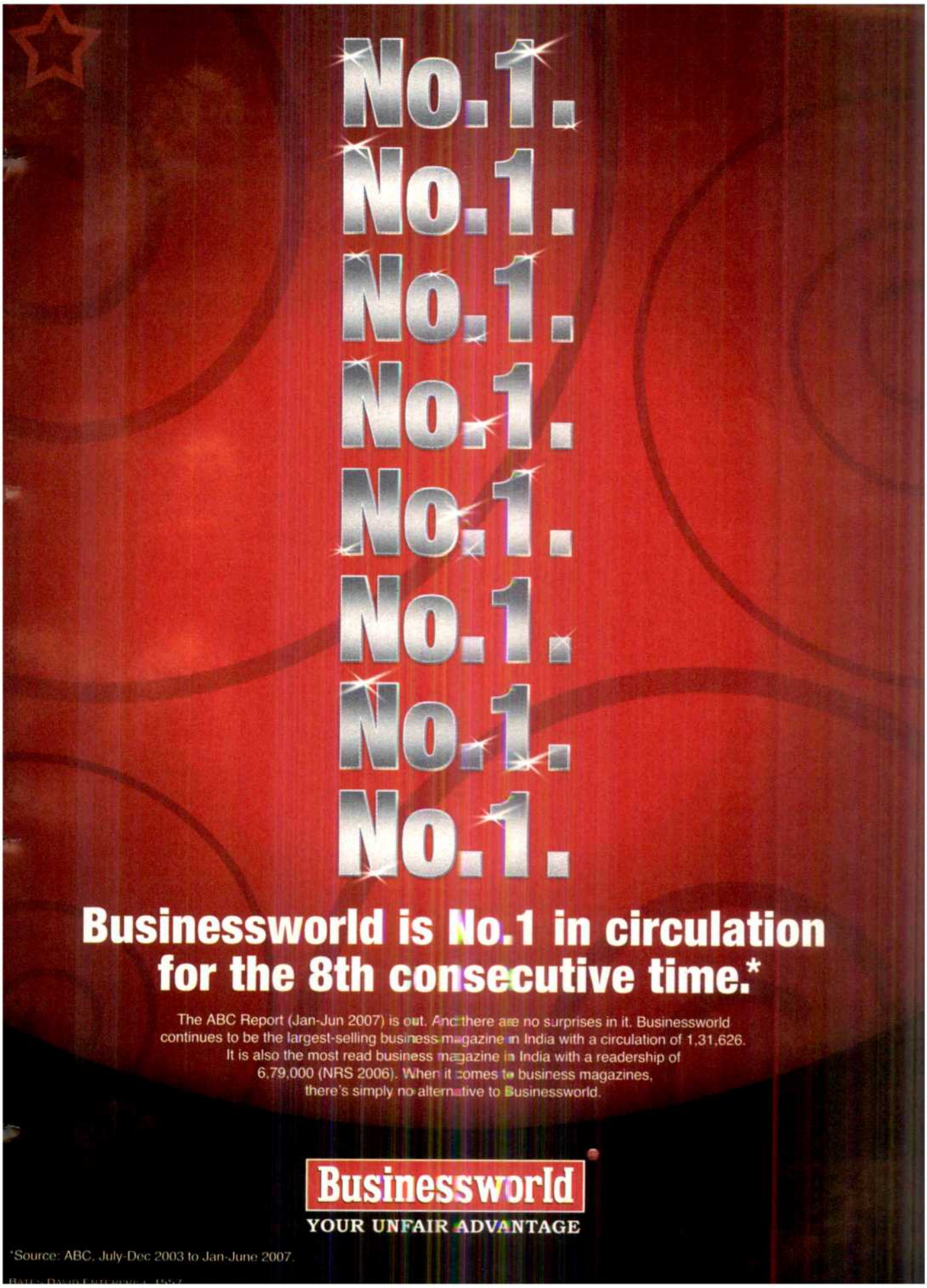
A few days ago, Eros International announced an equity tie-up with visual special effects (VFX) expert Charles Darbey to launch a VFX facility in India called Eyeqube Studios. The Eros subsidiary has initially taken on two movie projects, *Drona* and *Aladdin*, and expects to service films with budgets of Rs 40 crore or more. Announcing a long-term investment of $40 million-60 million (Rs 160 crore-240 crore), Eros CEO Jyoti Deshpande says, "We want to be in

TRIBHUWAN SHARMA

The multiplex revolution

Patrons of the Ebony Lounge in Metro Adlabs, Mumbai, pay as much as Rs 700 for a seat. Though accounting for just 4% of the 13,000 screens in India, multiplexes generate 30% of the box office collections

Company	Sites	Sceens	Seats	Business type
INOX Leisure	19	66	19,945	Pure exhibition display
Shringar Cinemas	12	43	13,877	Pure exhibition display
Cinemax	13	37	10,989	Exhibition & gaming
Adlabs Films	28	93	28,066	Diversified
Fun Republic	13	47	12,992	Diversified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The ABC Report (Jan-Jun 2007) is out. And there are no surprises in it. Businessworld continues to be the largest-selling business magazine in India with a circulation of 1,31,626. It is also the most read business magazine in India with a readership of 6,79,000 (NRS 2006). When it comes to business magazines, there's simply no alternative to Businessworld.
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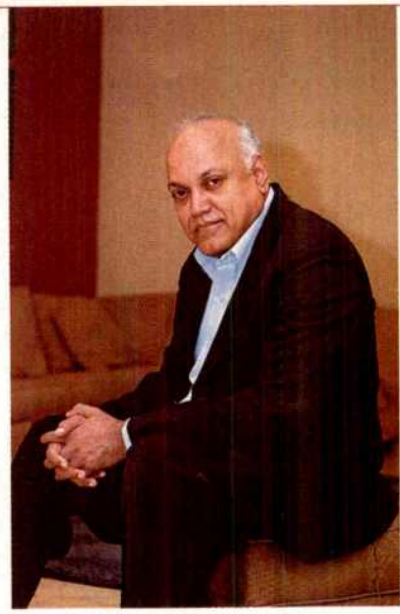
*Source: ABC, July-Dec 2003 to Jan-June 2007.

'Let us create new stars'

Manmohan Shetty, who started Adlabs as a film-processing laboratory, led the multiplex revolution and has nurtured the company to studio size. The chairman of the now Reliance-ADAG company shares his views on the Hindi film industry with *BW*. Excerpts:



SANJIT KUNDU

Manmohan Shetty, chairman, Adlabs

■ *The growth figures forecast by Arthur Anderson in 2000, and more recently by PricewaterhouseCoopers, projecting the film industry growing to a Rs 17,500-crore industry by 2011 seem unrealistic. It has not been able to scale up despite the demand for its products. Would you agree?*

■ What has changed in the industry? Only the multiplexes have changed the box office revenues. The Rs 30-ticket of yesteryear is now Rs 300. Only the exhibition economy has changed. The rest is the same. There is a lot of talk of international revenues coming to the industry. Scratch the surface, and it is the same 18-30 Indian audiences who have gone abroad who are watching Hindi movies on foreign shores. Our movies are yet to make a crossover to genuinely foreign audiences. On the other hand, the music revenue that movies collected earlier has collapsed. Rs 6 crore and Rs 10 crore a few years ago was not unusual. This has evaporated. Where has all this money gone?

■ *Is there a central problem that ails the industry?*

■ The industry just does not produce enough content for the exhibition networks. If it can make 40 big productions a year, not the small movies, I would be happy. Remember 75 per cent of our films are flops. We are dependent on half a dozen stars. Hrithik Roshan is producing one movie through this year! Rakyesh Mehra has not been able to start shooting his movie *Dilli-6* because he could not get a star for his lead role. After running from pillar to post, he's signed on Abhishek Bachchan for Rs 7 crore. We must make more products. I want to appeal through your columns to all the big groups such as Adlabs, UTV and Eros, "Let us create new stars. Each of these companies should bring in one fresh face every year. We should be ready to gamble for the sake of the industry's growth."

■ *What's your own future since you are sitting on a pile of crores from the sale of your Adlabs stake? How long will you continue with Adlabs?*

■ When Reliance-ADAG took over Adlabs in July 2005, it was agreed I would continue for two years at the helm. That period is over, so I will be moving out. No one has asked me to, it can be a few weeks, two months. I have my plans and I will announce them soon. But I must say Anil Ambani trusted me. He left me in charge of Rs 750 crore. Currently, I am only focusing on film production and distribution. The rest of the Adlabs verticals — lab film processing, Big FM radio, Big Flicks and Big Adda — are headed by independent CEOs. ■

the whole value chain."

Bring Out The Popcorn

It is the exhibition end that is emerging as Bollywood's most modern arena. Multiplexes, expectedly, have led the charge. Over the last 5-6 years, aided by waivers offered on entertainment tax by various state governments, multiplexes have grown as part of the new mall culture. Today, multiplexes offer 450 screens at 130 locations with 140,000 seats per show. Of the 13,000 screens in the country, the multiplexes' share is only 4 per cent. Yet, they have transformed film entertainment by generating nearly 25-30 per cent of the Rs 3,000 crore annual box office revenue. Furthermore, by offering a high quality viewing experience with comfortable seating, and a package of food, beverages and gaming, multiplexes are a whole new show in filmed entertainment.

The multiplex business is dominated by six corporate groups — Adlabs, PVR Cinemas, INOX Leisure, Shringar Cinemas, Cinemax and Fun Republic, most of which are listed entities that follow fairly transparent accounting practices. "With an occupancy of 35-40 per cent, we were able to go into the black with a Rs 9.8 crore profit for FY2007, from an earlier loss of Rs 4.9 crore," said Shravan Shroff, ED of Shringar Cinemas.

This transformation in film exhibition is also driven by aggressive adoption of digitalisation by companies such as Pyramid Samira who are putting up a chain of digital theatres in south India. Simultaneously, Apollo Group subsidiary UFO Moviez is retrofitting theatres in small towns and rural centres to allow for satellite delivery of movies. "The industry has been losing huge revenue as new launches reach smaller towns often a month later. Besides a loss of box office revenue, this encourages piracy," says Sanjay Gaikwad, UFO's CEO. So far, 900 screens have been digitalised at a cost of Rs 110 crore. Increasingly, filmmakers are turning to a combination of print and satellite digital releases. For instance, *Heyy Babyy* was released on 364 UFO digital screens and 325 traditional print screens, says Gaikwad.

More Masala

However, in the broader canvas of business relationships between film producers and distributors on the one

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hand, and distributors and exhibitors on the other, outdated and opaque practices continue to dominate. In a word, it is the MG or the Minimum Guarantee system that still rules.

Producers sell their movies to distributors for an MG, and if the movie does exceptionally well, the producer is entitled for a share of the 'overflow'. Distributors similarly 'sell' movie products to exhibitors for an MG, or hire theatres at fixed costs. "With the MG system, transparency goes out of the window, and in the case of a successful movie, distributors rarely pass on the 'overflows' to the producers," says Enam's Pitale.

The flip side of this practice is that it loads the risk on one part of the producer-distributor-exhibitor chain instead of profits and risks being shared evenly through the internationally followed practice of revenue-share arrangements. For instance, Adlabs, producer of the recent flop *Aag*, did not suffer a loss as it had sold the distribution rights entirely to Bharat Shah.

"If it were not for the high entertainment tax structures and the theatre hire or minimum guarantee regime, the present size of film business in India would have been Rs 12,000 crore compared to the current levels of Rs 6,000 crore," says Atul Goel, CEO of E-City Ventures, which runs the Fun Republic chain of theatres. "Such a myopic business model allows for a popular Hindi film to be released only in 250-300 screens, 2-3 per cent of the available 13,000 screens. Gujarat has shifted to a revenue share model. Why can't the rest of India adopt it?"

Lage Raho Brother

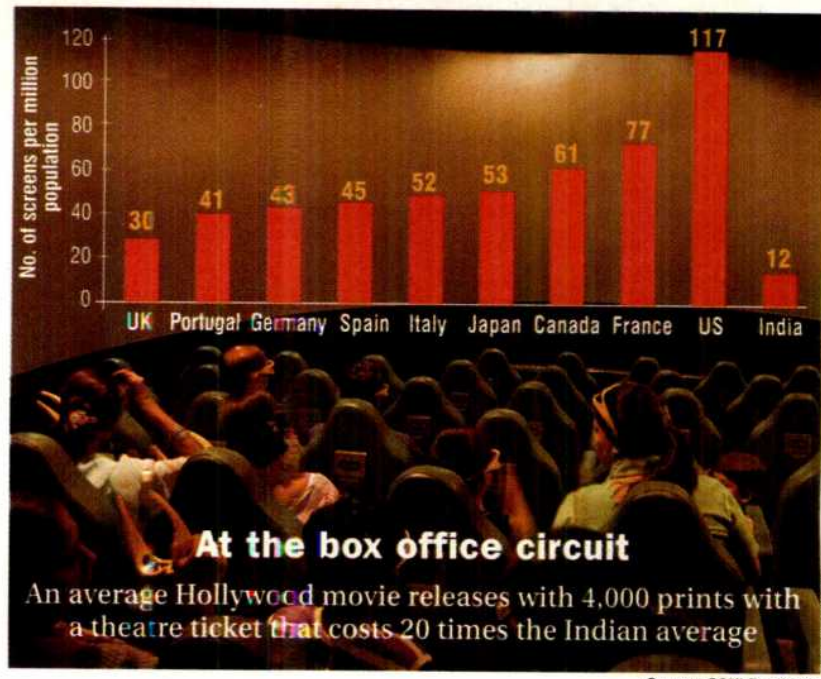
Multiplexes have adopted a revenue-share arrangement that is working well. For big movies, distributors get 50-52 per cent of net box office collections in the first week, 38-40 per cent in the second, and 30 per cent from the third week onwards. Producers confident of their product distribute it themselves as Yash Chopra does for the Yash Raj films, or what Vidhu Vinod Chopra did for *Lage Raho Munnabhai*. Having invested Rs 7 crore-8 crore on the movie, Chopra made a net profit of Rs 16 crore in the Mumbai circuit alone, exhibitors said. But such windfalls are rare.

Bollywood's inability to scale up is not a problem of insufficient content. The Indian film industry produced 1,090 films in 2006, of which Bollywood accounted for 223 and its sister industry, Bhojpuri films, 76. Hollywood, in comparison, had just 154 titles through 2006. The real problem is market penetration, which alone will maximise revenue for each product. Domestic box office, for instance, continues to be Bollywood's mainstay. PwC's entertainment industry report estimates its current share at 76 per cent and projects a marginally drop to 68 per cent by 2011. Conversely, other revenue sources such as home video and overseas distribution remain insignificant. Even by 2011, they are expected to contribute only 14 per cent and 9 per cent respectively. This goes against globally acknowledged experience, where private entertainment has emerged as the main money spinner.

In the US, of the total filmed entertainment revenue of $44.2 billion (Rs 176,800 crore) by 2010, 80 per cent or $33.1 billion (Rs 132,400 crore) will be accounted for by the total home video market. Similarly, Hollywood makes most of its money overseas. Last year's Top Three box office grossers — *Pirates of the Caribbean: At World's End*, *Harry Potter* and the *Order of the Phoenix* and *Spider-Man 3* — made $961 million, $935 million (Rs 3,740 crore) and $891 million (Rs 3,564 crore), respectively. In each case, only a third of box office revenue was generated in the American and Canadian markets. In India, a recent Ernst & Young report on Indian filmed content estimates annual overseas revenues at $200 million (Rs 800 crore) — or just 10 percent of the $2 billion (Rs 8,000 crore) industry. Forget crossing over like Latino music to international audiences, Bollywood is not even cashing in on the huge 20 million strong émigré star gazers abroad!

On the domestic box office circuit, a middle-budget movie releases with 200-300 prints. A big film like *Saawariya* rides on 1,000 prints, including 200 sent overseas. An average Hollywood movie releases with 4,000 prints with a theatre ticket that costs 20 times the Indian average. Considering that India has 13,000 screens, even the big movies are under-screened, concedes Shemaroo Entertainment's Hiren Gada in the E&Y report. And India offers just 12 screens per million of its population. Germany offers 43 screens per million people, Italy 52, and the US 117.

Everybody in Bollywood is talking about scaling up, but it is not about cranking up the movie production factories. What it needs is good story-telling and unlocking the full value of every release that hits the market. Meanwhile, in little pockets of daring entrepreneurship, fates are being built and broken. ■



Source: SSKI Research

Paul Samuelson is the 1970 Nobel Prize winner for Economic Sciences

Dodging the bankruptcy bullet

IT'S hurricane season in the Gulf of Mexico. So far, there has been no Katrina. But can we say the worst is over? No, not yet. And so it is with the global panic, brought on this summer by the bursting of the housing bubble of 2002-2006. This time, the trouble started in America.

But nowadays, globalisation and new, leveraged borrowing transmit — with the speed of light — whatever is rotten, anywhere. Today, maybe as never before, if Long Term Credit Management in Connecticut totters into bankruptcy, banks across the world will experience losses of about 50 per cent in their net worth.

Periodic business cycles do occur. But employing the lessons from the Great Depression, central banks and government fiscal agencies have learned how to tame down the amplitude of the ups and downs of unemployment and price-level inflation.

Did pure laissez-faire capitalism ever learn to heal itself? I believe that it requires both fiscal and credit programmes to evolve successively beyond boom-and-bust pure capitalism. Left to itself, pre-1929 capitalism will generate up-bubbles and down-bubbles, stagflation and self-perpetuating liquidity traps.

Two months ago, I wrote that the US Fed and the Bank of England would have to come to the rescue of the spreading foreclosures and near-bankruptcies brought on by the bursting of the real estate bubbles across the US. Such advice fell on deaf ears. President William Poole of the St. Louis Federal Reserve Bank warned against bailing out any foolish borrowers or lenders. Mervyn King, governor of the Bank of England, proclaimed a similar message: If now you bail out foolish investors, you will only add to future 'moral hazard'. Rash fools will become more rash when they expect someone else to bear the burden of their foolishness.

Such an argument is not wrong. But alas, it is ill-timed and fraught with social harm. What society gained by lowering future foolishness is swamped in comparison with what society loses when innocent and wise folk are injured in today's worsening financial avalanche.

Consider only the sober depositors in the UK's Northern Rock bank. They have prudently saved funds for their future retirement years. Did Governor King absent-mindedly forget that UK banks lack the kind of government insurance that is universal in America?

An oldster like me could have told him what life was like in the America of 1925-1933. Long before the October 1929 Stock Market Crash in my Midwest countryside, whenever farm prices fell, hundreds of local banks saw long lines of anxious depositors hoping to withdraw their savings before the bank ran out of cash.

Why did all these banks fail? Because, as Governor King must have learned at Oxford or Cambridge or Harvard, all banks have only fractional liquid reserves. Never can they, on short notice, successfully reverse the good loans that create their only net profits.

The moral is clear. Yes, central banks should keep in mind 'inflation targeting' aimed to keep price levels rising at, say, 1 to 2 per cent per year.

However, the reason central banks were created — by Darwin or whoever — was to be the 'lender of last resort'. Maybe contemporary economists have forgotten the writings of MIT's late Charles Kindleberger.

Kindleberger worked at the New York Federal Reserve Bank and the Washington Federal Reserve Board. His books on historic panics and central bank duties deserve much attention. He reminds us that the raison d'etre of central banks is first and foremost their duty to serve responsibly as 'lender of last resort'.

The reason we can be confident that utter financial disaster does not lie ahead for America or for the globe is that today's central banks and government treasuries do have the powers and the knowledge to limit future damages.

What cannot yet be told with certainty is how much cleanup work they still have to do. ■

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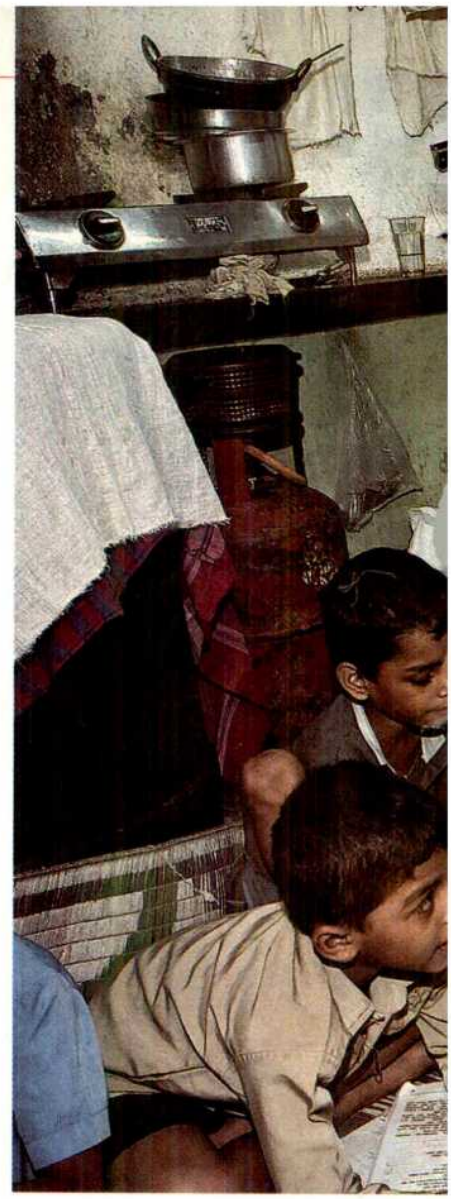
Central banks have learned how to tackle periodic business cycles, but only in the short run

United we HELP



Companies and NGOs are engaging in more meaningful ways for the betterment of the underprivileged.

By Arundhuti Dasgupta

POLITICS, they say, makes for strange bedfellows. But then, so does commerce. Over the past few years, Indian industry has found itself working closely with an unlikely, albeit invaluable, set of partners: the non-governmental organisations or NGOs. The two have come together in alliances that add value to both their businesses and affect the way they plan and build their organisations.

It is a private-private partnership model that deliberately mixes commercial viability with social commitment. It discards the traditional charity led interaction between companies and NGOs for a more equal relationship. "We are a purely commercial enterprise and we look for partnerships that will add value to our business," says Nachiket Mor, former deputy managing director of ICICI Bank, which works with a dozen-odd NGOs. "We clearly benefit from such alliances and many in the social sector also realise that they need a partner like us to scale up and be sustainable."

The vast network of NGOs in India — estimated at 1.5 million by IndianNGOs, an online knowledge platform for the social sector — offers many benefits. It allows companies to access consumers in low income groups and those located in remote areas. Also, many NGOs are connected with communities that have a large pools of semi-skilled labour which helps companies in the infrastructure and retail businesses. It strengthens the supply chain by helping to link up with community organisations that collect and market agricultural produce, handmade textiles and craft products. And it helps companies create and manage effective corporate social responsibility (CSR) programmes, as an NGO is best placed to identify the community needs and problems and deliver an effective solution.

"Some strong links are growing between the for- and non-profit sectors, which are becoming more important in the context of an arguably weakening State," says Rohini Nilekani, chairperson of Bangalore-based NGO, Aarghyam.

For NGOs, the partnership is more than just a secure source of funds. It provides them with managerial expertise, entry into large markets and the opportunity to scale up in their area of competence. One example is Aaharam started in 2005-06, a company formed with rural women in Andhra Pradesh, Karnataka and Kerala. It started out as a producers' cooperative that marketed semi-processed agri produce within the rural community. Its alliance with the Mumbai-based Parle group and public sector unit, Bharat Petroleum helped scale up and create an organisation that, says founder Muthu Velayuthan, managed a turnover of more than Rs 3 lakh in its first month. "Working with the corporate sector helped me understand the scale of operations that one needs to work with," says Velayuthan.

"Such initiatives create win-win partnerships," says Ujjwal Thakkar, CEO of Pratham India. He explains that Pratham has been able to grow from an NGO that worked to provide primary education in the slums of urban Mumbai to one with a pan-Indian presence on account of its partnerships with the corporate community. "As a result, our budget has grown from Rs 5 crore to Rs 55 crore in five years," says Thakkar.

However, there are some who believe such relationships are untenable. "An NGO is always mistrustful of the

SUBHABRATA DAS

company's motives," says a CSR executive in Chennai who did not wish to be named. "And that would lead to the disbanding of such partnerships." He believes that, "Instead of looking at NGOs as cost effective partners, companies are going to explore the option of setting up their own teams and carrying out the work directly." It is also possible that companies break the trust by converting every social cause into an image building opportunity. While it is still too early to say which way the wind will blow, a close look at how some of the partnerships are being moulded could offer some clues.

An Equal Music

Partnerships last when they are motivated by similar passions and each partner recognises the need for the other. Until recently, an NGO-corporate interaction in India would have fallen short on both criteria.

"In the past, it was always us versus them," says Vineet Rai who runs Aavishkar, a Mumbai-based micro-venture capital fund. This is changing into a more acceptable working relationship.

Companies find that NGOs offer a pathway into remote areas and communities which helps expand the market in innovative ways. For example, housing finance institution, HDFC launched its microfinance initiative, the Indian Association for Savings & Credit (IASC), on the strength of its seven-year long association with Palmyrah Workers Development Society, an NGO operating in Tamil Nadu and Kerala. The association has an equal equity participation by HDFC and the workers society. The NGO network helps link up the formal sector financial institutions and informal sector borrowers. A spokesperson for HDFC says, "IASC broke even in 2002 and has since opened several new regional offices in Tamil Nadu and Kerala."

PRATHAM: NGOs and companies are taking the first step towards making a substantial societal change

An equal partnership lays the foundation for a long term relationship. Pratham's Thakkar says, "We don't get into any alliance unless we are an equal partner." Pratham, for instance is negotiating with several FMCG companies that are interested in its network of slum based educators and children. Years of working with the community has helped develop a loyal network of associates, which will help a company target

its products or services. It also helps Pratham deepen its relationship with the community. For instance, a need to provide livelihood support led to a partnership with Larsen & Toubro to set up vocational training institutes for masons and carpenters in several districts in Maharahtra and Tamil Nadu.

A partnership of this kind works as the NGO understands the needs of the community and the corporate, and is able to match the two. It is the same principle that drives the Artisans Microfinance Institution by FabIndia, Aavishkar and an inter-state artisans cooperative. For FabIndia, it ensures the supply chain doesn't break down due to lack of funds; for the artisans it helps improve livelihood opportunities and for Aavishkar, it is an attractive investment option.

How they compare

NGOs		Corporate entity	
Advantages	Disadvantages	Advantages	Disadvantages
Creates economies of scale	Cuts down independence	Expands and deepens the supply chain	Clash of cultures could affect project efficiencies
Ensures sustainability	May discourage long gestation projects	Builds an understanding about the community and environment	May lead to partnerships where needs and goals are not aligned
Broadens skill sets	May dilute social commitment	Helps target and design products for low income and remote area markets	
Builds a wider network of influence		Builds corporate image internally and externally	

Such partnerships also bring about a better alignment of goals. Aavishkar's Rai says, "A clear partnership is driven by similar motivations. In many NGOs we have a situation where the leader is working for pure social goals while the rest of his or her team is not." Partnerships such as these help mix cause with commerce and keep the team together.

At Close Quarters

Ballarpur Industries (BILT) was struggling with a law and order problem in one of its factories in Orissa. Youth from neighbouring villages would break the water pipes that the company had installed. Repeated appeals to the villagers and regular patrolling of the area did not help. The villagers had to walk miles for water and believed that they were justified in breaking the pipeline. The company had a no-sharing policy and believed that the villagers ought to be stopped. There wasn't a solution in sight until BILT started working with Harsha, an NGO in that region. After several rounds of negotiations, the two sides agreed that the company would set up taps at convenient locations and the villagers would maintain them. The problem has not resurfaced since.

Yashasree Gurjar, head of Pune-based, BILT CSR says, "The NGOs are trusted and our association with them has helped open many doors to the communities we work in." In several cases, the NGOs have been working in the community for decades, they know the people, and can come up with solutions that work for all. BILT has 12 partnerships with NGOs all over the country and they meet at least once a year to discuss new projects and share experiences.

By aligning closely with local NGOs, companies can also avoid potential PR disasters as was faced by Coca-Cola around 2005. An understanding of community needs also helps design effective social entrepreneurship programmes such as Project Shakti launched by Hindustan Unilever (HUL) and the e-chaupal by ITC. Both these programmes have developed products uniquely suited to the local communities with help from the NGOs.

The difficult part of running a partnership such as this is ensuring that both partners commit to deliverables. For NGOs this is a new proposition but "many are getting used to it", says Gurjar. The NGOs were initially reluctant to work with annual plans and quantifying their data but, she says the company has been able to break through the mindset by setting small targets.

The NGO too has realised that it has to scale up and that is not possible without corporate intervention. Shibani Sachdeva, the Mumbai-based executive director of United Way says, "The NGOs have scripted great stories at the local level. We now need to do that at the national level."

Citizen As Stakeholder

Corporate NGO partnerships have also gained traction by the increasing emphasis on corporate social responsibility programmes. Most companies ally with NGOs because an effective CSR programme must be able to identify a need, understand the problem and then deliver a solution. The NGO is uniquely placed to partner the company at all three stages.

United Way Mumbai, for instance has been working with NGOs that have set up a Mumbai helpline and companies, for a disaster management plan for the city. It is also aligning Mumbai-based civic NGOs with companies for unusual projects. One of this is adopting the city's railway stations. "Bombay Dyeing has adopted the Elphinstone Road station while we are getting sponsors for Malad, Dadar and Andheri," says Sachdeva.

There is a danger in CSR led partnerships, that both, companies and NGOs are quick to point out. When the company's programme is no more than an image building exercise, it loses effectiveness. It also damages the faith that the NGO has in its corporate partner. And that could lead to an early demise, points out a CSR head with an infrastructure company.

It may be premature to attempt to map the maze of partnerships or, the journey ahead, yet. But what is clear is that short term, project based associations will give way to long-term relationships. Success will be hugely influenced by the ability of either partner to inspire trust in the other and to deliver on commitments. "That is always a tough proposition and the only way to do that is through talking, more talking and with a lot of patience," says Mor of ICICI.

Without trust, these partnerships could easily fall by the wayside. ■

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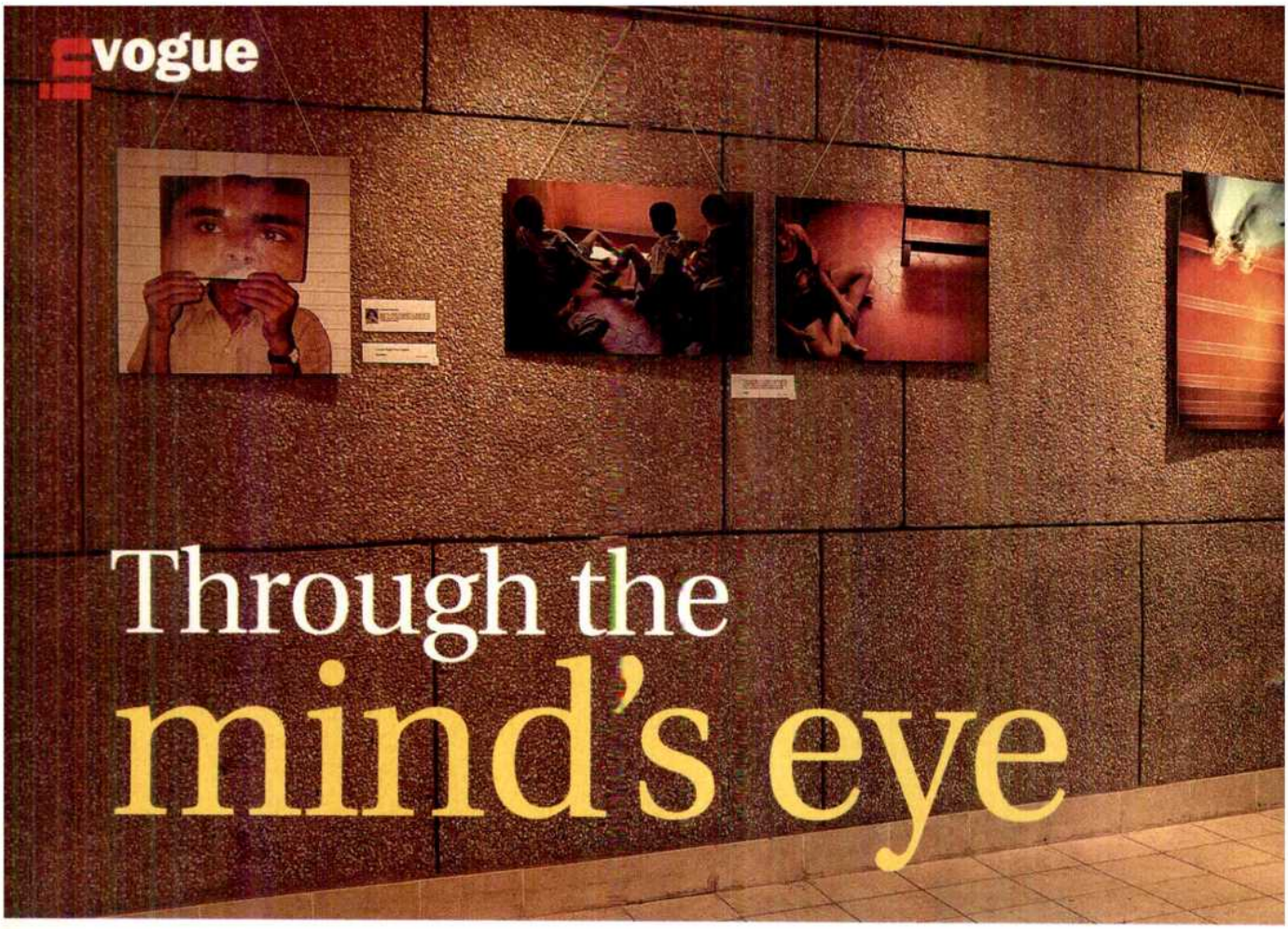


Through the mind's eye

An exhibition by visually impaired photographers challenges both artistic and human limitations

SUMATI NAGRATH

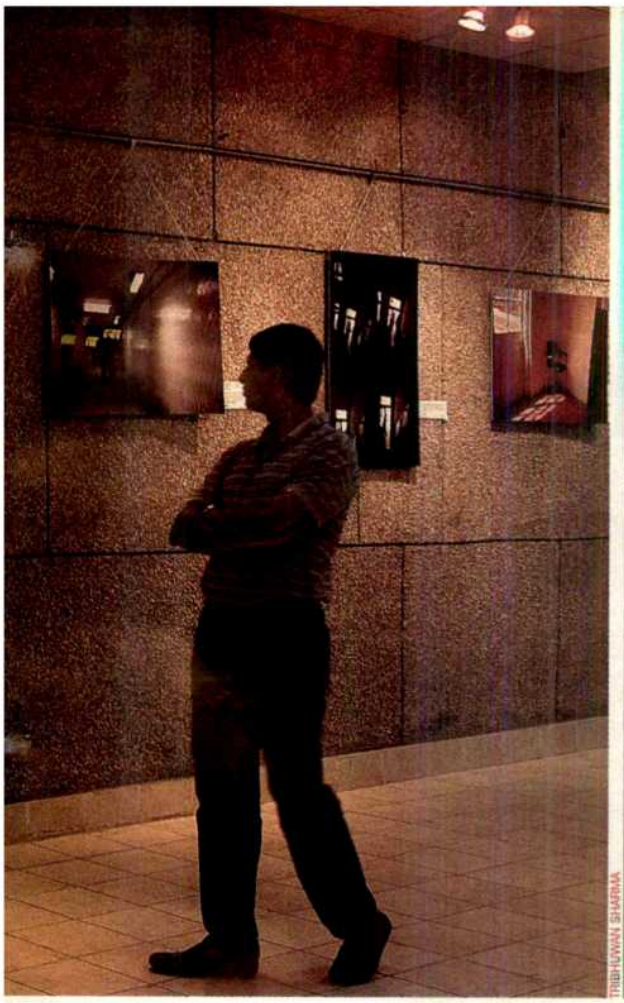
SOME of the photographs are out of focus; in others, the compositions are rather weak. In one, the photographer's hand blocks the subjects. In fact, the entire exhibition looks just a bit amateurish. That is, until you realise that each of the 28 frames was clicked by a visually impaired person.

Recently on show at Delhi's India Habitat Centre, 'Beyond Sight' is an exhibition of photographs taken by people with varying degrees of visual impairment that range from partial to total blindness. While creating awareness about the world of the visually impaired, the exhibition also, subtly, pushes the boundaries of what we consider to be photography and questions its almost inextricable link with the sense of sight.

'Beyond Sight' is a result of 39-year-old Partho Bhowmik's single-minded dedication. "It all started when in 1994, I came across an article on the blind by accomplished Parisian photographer Evgan Bavcar," he says. Inspired by his life and work, Bhowmik soon began an e-mail conversation with Bavcar which made him determined to conduct a photography workshop with visually impaired people. He initiated the process in end 2005 and after months of trying, in January 2006, he finally found his first student, 24-year old Mahesh Umrrania, who lost his sight at an early age, with the help of Victoria Memorial School for the Blind, Mumbai.

Over the next few months, eight others joined Bhowmik and Umrrania in their weekend photography sessions. The intensive one-on-one sessions aimed at "triggering their visual thinking" says Bhowmik. "Acting as their guide and sighted partner made me view my world in greater detail and examine it much more closely." The year-long workshops culminated in the 'Beyond Sight' exhibition, which first showed in Mumbai in February.

Not bound by conventions of photography or, for that matter, art, the nine photographers have, depending on the degree of their visual impairment, used their memories and cognitive abilities



TIBBITOWN SHARMA

to click photographs that communicate their inner world to the rest of us. Those who lost their vision later on in life retain visual memories and try and reconcile them to the physical realities of the world they inhabit. Umrrania's image of a tree's shadow and his self-portrait capture the world of mirrors and reflections that are now forever lost to him.

To those who retain partial vision, the world appears blurry. So when Raju Singh gets extremely close to his subjects to see them clearly, he "makes normal sighted people see the abstractness they wouldn't see otherwise." According to Bhowmik, in some ways, the toughest group to work with was those who were born without sight. "The attempt here was to create visual images using only non-visual senses." Rahul Shirsat captured the activity in his school library by "hunting for the sounds and then looking for the silence in all the noise."

While making us aware of our extreme dependance on one sense, that of sight alone, these photographs are funny, deeply introspective and a testament to the indomitable human spirit. ■

CLOCKWISE: A visitor admires the photographs on display at Delhi's India Habitat Centre; Blind from birth, Rahul Shirsat captures the 'noise' and 'silence' in the library of the Victoria Memorial School for the Blind; R. Dharmarajan Iyer, who lost his sight in his 30s, "followed the tapping sounds made by the hands" to create a "virtual handshake between the visible and the invisible world"

IT'S BOOM TIME

The tourism and hospitality industry in India is on a roll today. Driven by a surge in business traveller arrivals and a soaring interest in the country, India has emerged as a leading preferred tourist destination. The rising middle class incomes have also prompted more people to spend money on vacations at home. The world's leading travel and tourism journal, 'Conde Nast Traveller', has ranked India amongst top 4 preferred holiday destinations in the world. Tourism is India's one of most important export industry and has emerged as an important contributor to the economy indirectly through its linkages with other sectors, besides being an important foreign exchange earner, providing employment to millions of people in India both directly and indirectly.

The foreign tourist inflow rose by 13 per cent in 2006 and during the first five months of 2007, the growth rate of 12 per cent with 2.02 million arrivals over the corresponding period last year augurs well for the tourism industry. This has led to increase in India's share in world arrivals from just 0.37 per cent in 2001 to 0.53 per cent in 2006. Even Tier-II cities like Jaipur, Gurgaon, Hyderabad, Pune, and Bangalore are witnessing growths both in occupancy and room rates. The current gap between supply (61,000 rooms) and demand (90,000 rooms) is expected to widen further with time and the government forecasts an additional requirement of 200,000 rooms by the turn of the century.

Also, the cumulative FDI into the hotel and tourism sector from 1991 to March 2007 has been US$ 517.83 million, representing 1.18 per cent of the total FDI in to the country.

GOVERNMENT INITIATIVES

The aggressive advertising campaign 'Incredible India' by the government within India and overseas has also contributed significantly in changing India's image and sparking new interest among overseas travelers. To unlock the huge potential in this sector, the Government has taken various initiatives for the development of this sector.

- The Ministry of Tourism has brought out guidelines for classification of time-share resorts, serviced apartments, guest houses and home-stay accommodation.
- Classification of various house owners with spare room capacity for providing facilities as Incredible India Bed and Break fast Establishments', under 'Gold' or 'Silver' category.
- The government has also sanctioned capital subsicy for 43 budget category hotels and interest subsidy for 86 budget category hotels.
- 102 rural tourism infrastructure projects have been sanctioned to spread tourism and socio-economic benefits to identified rural sites having tourism potential.
- A new category of visa-Medical Visa (M-Visa), has been introduced which can be given for specific purpose to foreign tourists coming into India.
- The government plans to infuse equity capital of over US$ 55.5 million for reviving Ashok Hotel, Samrat Hotel and Hotel Janpath in New Delhi.
- Enhancing connectivity through augmentation of air capacity and improving road infrastructure to major tourist attractions.
- Beginning of cruise tourism by an international shipping firm.
- An integrated campaign in South East Asia to promote Buddhist sites in India
- Greater focus in the emerging markets particularly in the region of China, South Korea, Japan and South East Asia.
- Participation in over 185 trade fairs & exhibitions all over the world.

Aggressive policy initiatives by the government promises to unlock the huge potential in the travel and hospitality industry

The Government has also proposed to declare a conditional 10-year tax holiday for all tourism projects in the country. While companies would enjoy full tax exemption up to 50 per cent of the profit, for enjoying tax benefits for balance amount they would be required to re-invest that part of the profit in tourism projects.

HUGE POTENTIAL

To cash in to the immense potential, global hospitality majors like Dawnay Day, Whitbread, Jumeirah, Golden Tulip, Istithmar and Mandarin Oriental, Best Western International, Ritz-Carlton Hotel, Intercontinental, Starwood, Hilton, Accor, Carlson are exploring options. Golden Tulip is looking to launch budget hotels, while others like Dawnay Day and Whitbread's Premier Travel Inn, are launching cookie-cutter business models. The Jumeirah and the Mandarin Oriental are the hi-end luxury hotel brands looking to set base in the country. Dubai's leading alternative investment house, Istithmar, is looking to invest in luxury hotels in key gateway cities around the world and emerging markets. Hospitality majors from India and abroad are likely to pump in close to US$ 11.11 billion in new projects and expansion over the next two years on the back of a massive growth in business and leisure travel. Indian Hotels (Taj brand), Leela Venture, EIH (Oberoi Group), Kamat Hotels, Royal Orchid and other leading chains are likely to see room inventories go up by around 6,500.

THE ROAD AHEAD

However, in order to attract more visitors, India still needs to upgrade its airports, roads and other infrastructure to global standards. Even with the recent surge, tourist arrivals are just a mere percentage of those in such popular Asian destinations like Bangkok and Singapore. With India becoming a major hub for medical tourism, leading corporate hospitals like Apollo, Fortis and Wockhardt are eyeing alliances with foreign airlines to reach out to prospective markets. Encouraged by the incredible pace of growth exhibited by the industry, the Confederation of Indian Industry (CII) and McKinsey have predicted that the industry will grow to earn additional revenues of US$ 2.2 billion by 2012. Besides medical tourism, other themes are being aggressively built up to attract more tourists in the country. Themes like Adventure tourism, Heritage tourism, Wellness tourism, Pilgrimage tourism, Golf tourism, Eco-tourism, Wildlife tourism offer vast potential for improvement. With the country hosting the 2010 Commonwealth Games, this share will only increase to about 1.5 per cent in 2010, from a mere 0.52 per cent in 2006. India's tourism industry is poised to grow to about US$ 90 billion-from the current US$ 39 billion-in the coming decade.

PARK PREMIER

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Gurgaon will soon have a new landmark on the hospitality landscape - ***Park Premier***, when it opens its doors to the well-heeled corporate traveller in November 2007. Promoted by Punihani International - a New Delhi-based leather garment & accessories company, this is one of their first foray in the hotel business. Punihani International has since identified hotels as a key business portfolio for its future growth and has positioned it as a four-star business hotel.

The soft launch of the 94-room hotel is slated for the first week of November and is strategically located just off the National highway 08, in Sector 29 - the hub of the new corporate world. Abhay Bhargava, general manager of the hotel says, "It is targeted at the business and transit travellers and is primarily looking at the business district of Gurgaon as its proposition segment." The hotel offers well-appointed rooms in three categories and comes complete with pastel soothing colored interiors and wooden flooring. All rooms are equipped with plasma television, tea and coffee maker, electronic safe, in-room Wi-Fi connectivity, mini-fridge and herbal toiletries besides others to ensure complete convenience and comfort for the guests.

A round-the-clock coffee shop and a specialty restaurant will offer a large array of items to choose from the menu as well as the sumptuous buffet with multi-cuisine to cater to the taste-buds of an international traveller. Besides, the extensively stocked bar, travel desk, doctor-on-call, add to the facilities that will be available. A fully-equipped business centre, Wi-Fi connectivity in the entire hotel and state-of-art conference facilities backed with latest hi-tech equipment will meet the conferencing needs of business guests. Recreation & rejuvenating facilities like a swimming pool, spa and a gymnasium will soon be added to the hotel repertoire of services, besides banquet facilities catering to 30 to 300 people.

Punihani International has a couple of more land sites in its kitty and plans to take the hotel brand to Hyderabad and Chennai soon. "Nothing has been confirmed yet. We will take one step at a time," Bhargava says. He added that if the company does well in its new venture, a separate hospitality subsidiary may come into force to plan successive ventures.

For more information:
Park Premier Hotel, unit of Punihani International,
353-357, Sector 29, City Centre, Gurgaon - 122001
Ph: 0124-4604600, Fax: 0124-4604666
website: www.parkpremierhotels.com

PROMOTION

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FLIGHT SHOP

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FCm Travel Solutions (I) Pvt Ltd is a part of Flight Centre Ltd. Flight Centre is one of the world's most successful and fastest growing travel groups recognized for its innovation, industry leadership and unique development of people. The creation process has involved consolidation, acquisition and partnership with like minded travel companies in other key markets. Flight centre is headquartered out of Brisbane, Australia and is listed in the Australian Stock Exchange.

Conceived in 1986 as Friends Globe Travels Limited (FGTL), FCm India began its operations in 1987 under the able leadership of Mr. Rahul Nath and has since then been an industry leader by rendering the highest level of services to its clients. In 2005, FGTL was acquired by Flight Centre and has been trading as FCm Travel Solutions India Private Limited since then.

FCm Travel Solution's turnover in the financial year 2005-06 was approximately US$5 billion and the company is serviced globally through more than 60 countries and over 5,000 employees. FCm Travel Solutions (I) Pvt Ltd has its headquarter at New Delhi with 19 branch offices at Bangalore, Chandigarh, Chennai, Gurgaon, Mumbai, Hyderabad, Pune, Vizag, Ahmedabad, Bhubaneshwar, Vadodara, Mysore, Kolkata, Trivendrum, Surat, Coimbatore, Mangalore, Nasik and Cochin. Today, it is the country's premiere corporate travel management specialist and provides a total travel management package in terms of comprehensive and professionally effective services.

FCm Travel Solutions is the first and the largest travel and expense management company in the Asia-Pacific region. The company's reliable services and exclusive facilities have won them numerous awards such as TTG Business Travel People Awards (UK, 2005 & 2006) and AmCham Entrepreneur of the Year (American Chamber of Commerce, Poland 2006). FCm's offices are IATA approved and they are the members of Travel Agent Association of India (TAAI), Travel Agents Federation of India (TAFI), American Society of Travel Agents (ASTA), United Federation of Travel Agent Association and Indian Association of Tour Operators (IATO).

The company gives access to world-best rates, unprecedented control of travel budgets, time savings and finger-tip travel information. Progressive technologies, alliances with industry's leading airlines, hotel and car rental partners and 24/7 support services worldwide is the strength of FCm's parent company Flight Centre Limited. FCm India, the most technological advance company of the country, is equipped with a user friendly website, 24X7 airport presence at all major airports, regular online newsletters, CRM package, Visa tracking tool, and 24X7 call centre.

FCm Travel Solutions (I) Pvt Ltd was among the first companies in India to consolidate the Travel desks in corporate houses and takes pride of being one of the largest Travel desk provider companies. The company enjoys the services of skilled professionals who are the connoisseurs in their respective fields of operation. Every member of the management team specializes in communication, product development, management information systems, education, training and finance.

Flight Centre Limited now plans to bring in a new concept of travel stores to India by opening Flight Shops in various metropolitan cities. This is an effort by the company to bring higher level of service concept in India so that corporate level of services can be rendered to the leisure or holiday traveler as well. Flight Centre plans to keep these Flight Shops an entirely separate cost/profit centre and they will not be related with the corporate division FCm.

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BROWSING

Mohan Joshi
President
SCHOTT Glass India

I am reading **QUIET LEADERSHIP** by **DAVID ROCK**. From this, I have learnt that one must spend more time in the creative process and less time in processing the creative.

I enjoy reading books on leadership and management, and prefer those which focus on soft skills such as motivation, team building and improving human relations.

I do internet searches to select relevant books. Sometimes I buy them based on the recommendation of close associates. ■

ALERT

BASIC BLACK

By Cathy Black (Crown Business)

As a newbie and eager to move up the corporate ladder, Cathy Black had made copies of her resume and left the original behind in the copier. An embarrassed Black apologised to her sporting senior when he found out. Since then, Black has come a long way and learned the dos and don'ts of the workplace. Black, now president of Hearst Magazines (*Cosmo, O,* etc.), has dabbled in every aspect of the publishing industry, and has even persuaded Oprah Winfrey to launch a magazine. In this book, Black recounts her experiences and why one should balance home and office. As a woman's perspective on work-life balance, this is refreshing. ■

DIG to find

DEVANGSHU DUTTA

IN the midst of extensive or frequent civil works, fluorescent high-visibility clothing contributes to the invisibility of the individual, and can serve as a superb disguise. Similarly, in the midst of extensive research and in-depth analyses, basic insights can go unnoticed.

Erich Joachimsthaler has plenty of examples in his book *Hidden in Plain Sight* to drive home the point that attention to stuff that is not so obvious to competition can lead to brilliant success such as Sony's growth through innovative products (the WalkmanT, for one) that met unexpressed consumer needs. Conversely, an inability to spot this can bring even the leaders down, illustrated once again by Sony's loss of leadership in mobile personal entertainment to Apple's iPod.

The challenge for companies is to uncover the hidden opportunities by looking into their business from the outside rather than the usual inside-outwards view, and by accurately defining the ecosystem of demand. For most management professionals, this will be harder than it seems.

The exercise begins with the question, "Why didn't we think of that?" This is intended to remind the reader of how the obvious escapes attention as we sink deeper and deeper into complex analysis and in developing ever more complicated scenarios. And Joachimsthaler sets out a framework that he believes can help larger companies to innovate in a structured way.

Of course, the reader may feel differently, and quote George Bernard Shaw who divided the world into two kinds of people, the reasonable and the unreasonable, and credited innovation to the latter. Or one may agree with Henry Ford who, apparently, felt that customers did not really know what they wanted. He is reported to have quipped: "If I had asked my customers what they wanted, they would have said, 'A faster horse'."

Yes, at the cutting edge, innovation may seem to be more about the innovator's creative desire to do something different, and less about 'meeting customer needs'. Yet, it is the unmet and, more importantly, unexpressed customer needs, that offer the greatest source of competitive advantage.

This is why innovation seems to spring more from small companies, or companies that are started up around a specific idea that is unique or new. In such a small company or a start-up, typically the founder/innovator/inventor is drawn from the same pool as the target customer. Therefore, while they may be addressing a need they feel acutely, the innovators are unconsciously plugged into their customer's unmet/unexpressed needs. There are seldom any silos; the whole team is generally focussed on the one problem to be solved.

However, as companies grow larger, functional specialisation emerges — division of labour based on skill-set is deemed to be a more efficient way of doing things. The design folk design based on 'trends', the marketing folk market as they know best, and the manufacturing folk produce to specification and the 'demand' generated.

With this speciality of skills taking over, there is a growing disconnect between their efforts to dig for insight and

REVIEW

HIDDEN IN PLAIN SIGHT

How to find and execute your company's next big growth strategy

By Erich Joachimsthaler

Harvard Business School Press

Pages: 253; Price: $29.95

hidden gold

ERICH JOACHIMSTHALER is the founder and CEO of Vivaldi Partners, a strategy, innovation and marketing consulting company

the gold that is 'hidden in plain sight'. While data is available in abundance, real knowledge is scarce, and insight just gets buried in well-structured processes and handoffs between functional silos.

This trend has only accelerated in the past 15-20 years with pervasive information technology that enables the mundane operational process to the most strategic. Never before have management teams been so focussed on information and analyses. As businesses grow, data warehousing and data mining are defined as the competitive cutting edge, pushed along by interested parties (including IT solution providers, but that is another book!).

However, in reality, excessive information is increasingly passed off as knowledge. An inward focus on the management team's own objectives is often disguised as insight gained on the customer or the market. Functional specialists analyse the market, the latent needs and the gaps in their own way, and if the company is lucky to have some generalists, some of those dots get joined to form a more complete picture.

It is in reminding management of this reality that Joachimsthaler's book provides a tremendous service. It presents a well thought out model named, curiously enough, DIG, — short for Demand-First Innovation and Growth. The three elements laid out sequentially begin with a framework for defining the demand landscape, identifying the opportunity space within it, and then creating a strategic blueprint for action.

Joachimsthaler's process to define the demand landscape requires managers to put themselves in the customer's shoes — a process demonstrated with examples from Proctor and Gamble and Pepsi's Frito Lay. Using the customer's goals, actions, priorities (there's the 'GAP'!), needs and frustrations, demand clusters can be developed and filled out with additional research. The strategic fit between these demand clusters and the brand can then feed into the next steps of identifying the opportunity space.

The filters, or lenses, as the author calls them, are the 'eye of the customer', the 'eye of the market' and the 'eye of the industry'. At every step, assumptions and presumptions need to be challenged. Using these lenses, the sweet spot or spots and the growth platforms can be identified, and extrapolated into the strategy.

On the downside, the book is clearly about a framework, which may have been best detailed in an article, rather than being stretched over a book. The author does stress at one point that it is not about 'brainstorming', but about structured thinking. However, he seems to do this in a tone that suggests brainstorming as something vaguely distasteful due to the lack of directional structure.

While examples from the companies studied keep the text alive, yet in places one struggles to correlate the examples with the framework. Indeed, there may well be too much structure to this book, and not enough examples of how inter-disciplinary thinking and functioning can actually produce sustained innovation.

Understanding the model itself can be a fairly involved process. The best way to tackle it may be to approach it as a project, and use the DIG framework as a how-to guide for a real problem. If you are a structured, methodical, sequential kind of manager and possibly work in a large company, the book could provide tools to put that thinking to work for innovation in a team. On the other hand, if you are more of a 'people person', you may want to leave this book alone. ■

Devangshu Dutta is chief executive of Third Eyesight, a retail consultancy

SELECTION

Extraordinary crusader

IT is raining books on Bhagat Singh, that extraordinary young man who gave his life to the freedom struggle. While there were several others who died fighting for India's freedom none became as iconic as Bhagat Singh. He was 23 when he was sent to the gallows for his role in the Lahore conspiracy case, and his courage and steadfastness was exemplary. That's not why his legacy endures. Bhagat Singh's call to arms at a time when the country was disillusioned and weary with Gandhi's passive resistance was the result of careful thought. He had read widely — everyone from Victor Hugo to Karl Marx and Bertrand Russell — and revolution was an idea that he had analysed carefully. Political liberation for him had no meaning unless it was accompanied by economic freedom and the Marxist doctrine appeared to hold out the best hope.

S. Irfan Habib analyses the forces that shaped Bhagat Singh in *To Make the Deaf Hear* (Three Essays Collective), and brings to light several less known aspects of his evolution. Thus, for the first time, one gets a detailed account of the Hindustan Socialist Republican Association and the Naujawan Bharat Sabha to which Bhagat Singh and his comrades belonged.

While Habib focuses on the radical agenda of these heroes, Kuldip Nayar's *Without Fear* (HarperCollins Publishers India) is preoccupied with Bhagat Singh's sham trial and the reason why Hans Raj Vohra betrayed him.

Two other books that mark the 100th birth anniversary of this singular young man come from LeftWord Books. The themes are fairly similar in *Bhagat Singh: Liberation's Blazing Star* by P.M.S. Grewal and *Bhagat Singh: The Jail Notebook And Other Writings* edited by Chaman Lal. Bhagat Singh is best in his own words, particularly in the seminal essay *Why I Am An Atheist.* ■

EX LIBRIS

Michael R. Sesit is a news columnist for Bloomberg

Being a contrarian helps

The US Federal Reserve's consecutive interest rate cuts may be the signal of an imminent recession, but the investors don't seem to realise this

WHAT if the Fed is right and the market is wrong? The quick answer is that a lot of people will lose a lot of money. That is because many investors consider the US economy to be much healthier than the Federal Reserve does.

After the Fed surprised financial markets last month with a bigger-than-expected cut in its federal funds rate to 4.75 per cent, many considered the reduction needlessly large and reflective of an overly pessimistic view of the US economy. Critics also accused the Fed of bailing out lenders and hedge funds that should have been made to suffer the consequences of their poor decisions. Meanwhile, strategists responded by promoting reflation trades, which emphasise risky assets over safe ones and are designed to take advantage of the Fed's largesse.

So far, these wagers that the Fed overreacted to the subprime-mortgage debacle and tighter credit conditions have paid off. The S&P 500 Index last week reached record highs; so did Morgan Stanley Capital International's World Index. The MSCI Emerging Markets Index rallied 40 per cent this year through 17 October and 16 per cent since the Fed cut rates.

Reflation trades — with their emphasis on emerging markets, gold, cyclical stocks, commodities and related assets — imply investors are betting on a replay of 1998. Back then, central banks responded to the Asian financial crisis with super-easy monetary policies.

The Fed cut interest rates three times in late 1998. The pump-priming contributed to the buildup of the technology bubble, sending global stockmarkets into a tailspin. Still, it kept the US economy out of recession; and in 1999, the S&P rose 20 per cent, and the Nasdaq soared 86 per cent. Investors should, instead, take a page out of the 1989-1992 history books. That's when the Fed lowered the fed funds rate 23 consecutive times from 9.75 per cent to 3 per cent and credit conditions still tightened, sending the economy into recession in 1991.

"What if the US economy is indeed sliding into a recession that is substantially deeper than investors currently are prepared to consider?" says Richard Bernstein, New York-based chief strategist at Merrill Lynch. "We would guess that there are very few portfolios structured for this outcome." One that would be, and which produced winners in 1989, included quality bonds, developed stock markets, defensive sectors, large-capitalisation stocks and companies paying high dividends. Merrill Lynch calls it the 'ultra-contrarian trade', although pessimist's delight might be just as accurate.

Many investors don't realise this. Even after the 50-basis-point cut in the fed funds rate, US monetary policy remains restrictive, with the cost of financing above the rate of growth. The rate cut may temper the slowdown but won't reverse it. Nor will it spur global growth, which is slowing. Furthermore, the thesis that the rest of the world can 'decouple' from the US is increasingly in doubt. Japan, the world's second-biggest economy, continues to disappoint and September business surveys and a strong euro point to slowing growth in Europe.

A UBS AG econometric model puts the odds of a US recession in 2008 at 33 per cent and rising. The bank estimates recession odds based on the non-farm-payroll growth rate and changes in US housing starts, home prices and durable goods orders. "Each of these factors is either at or nearing recession-like levels," says Andrew Cates, a London-based economist at UBS. Moreover, oil prices at a record high of more than $89 won't do growth any favours.

Bets on future Fed policy, slowing growth, inflation concerns and tight credit markets also spell a rise in volatility. And during the past 25 years, every period of increased volatility has presaged a change in market leadership, according to Merrill Lynch.

So, why not become a contrarian before contrarian becomes the consensus? ■

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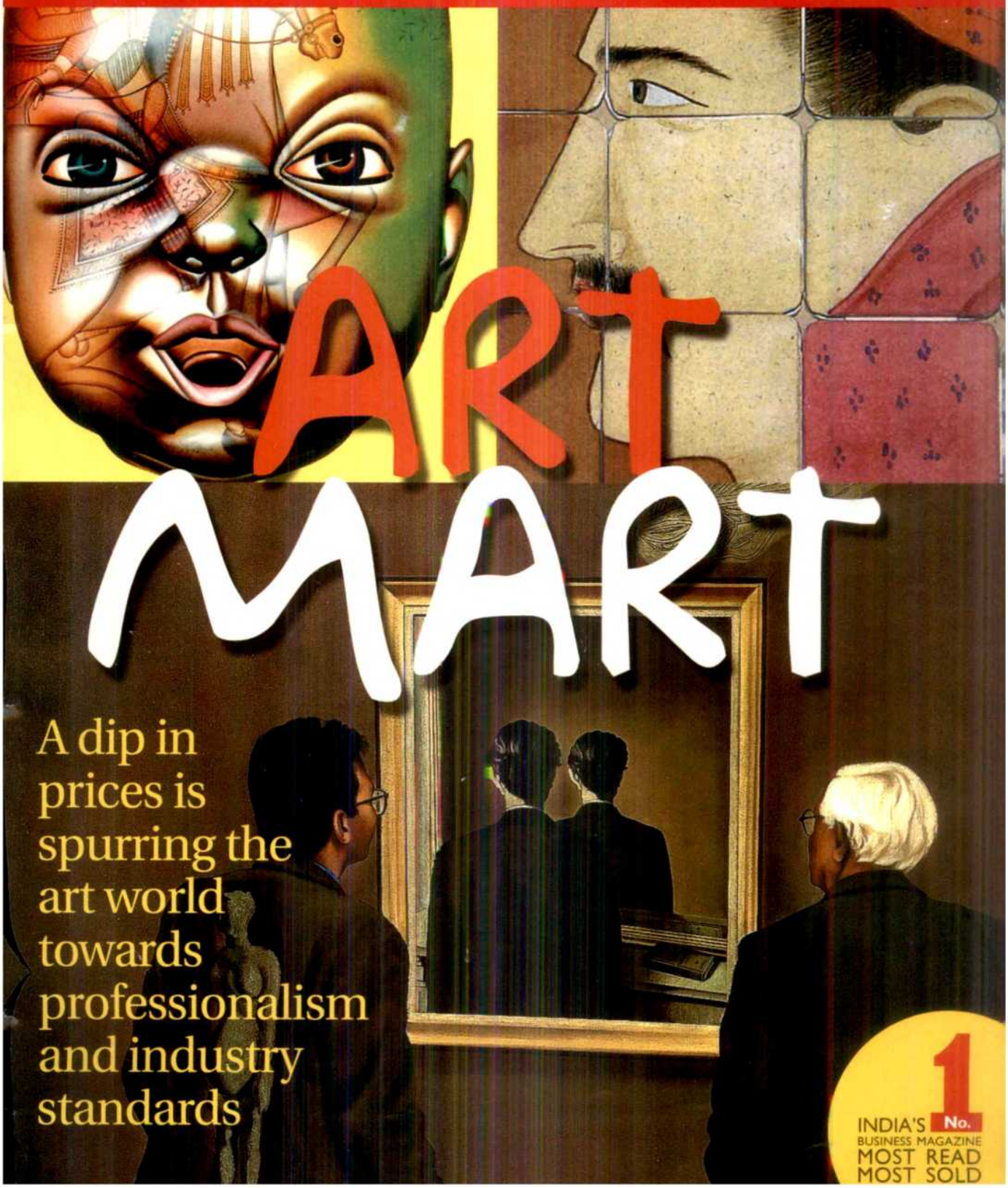

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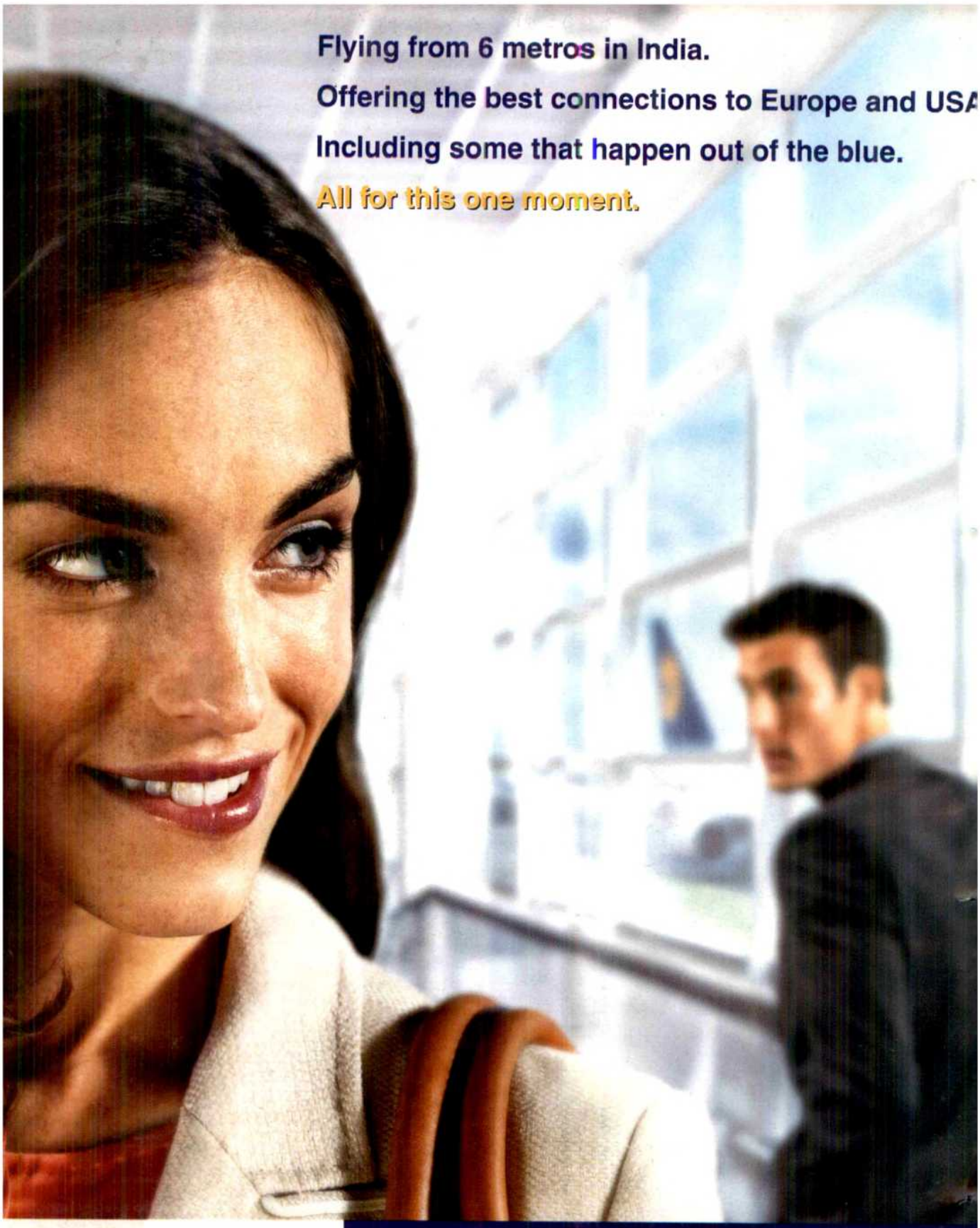

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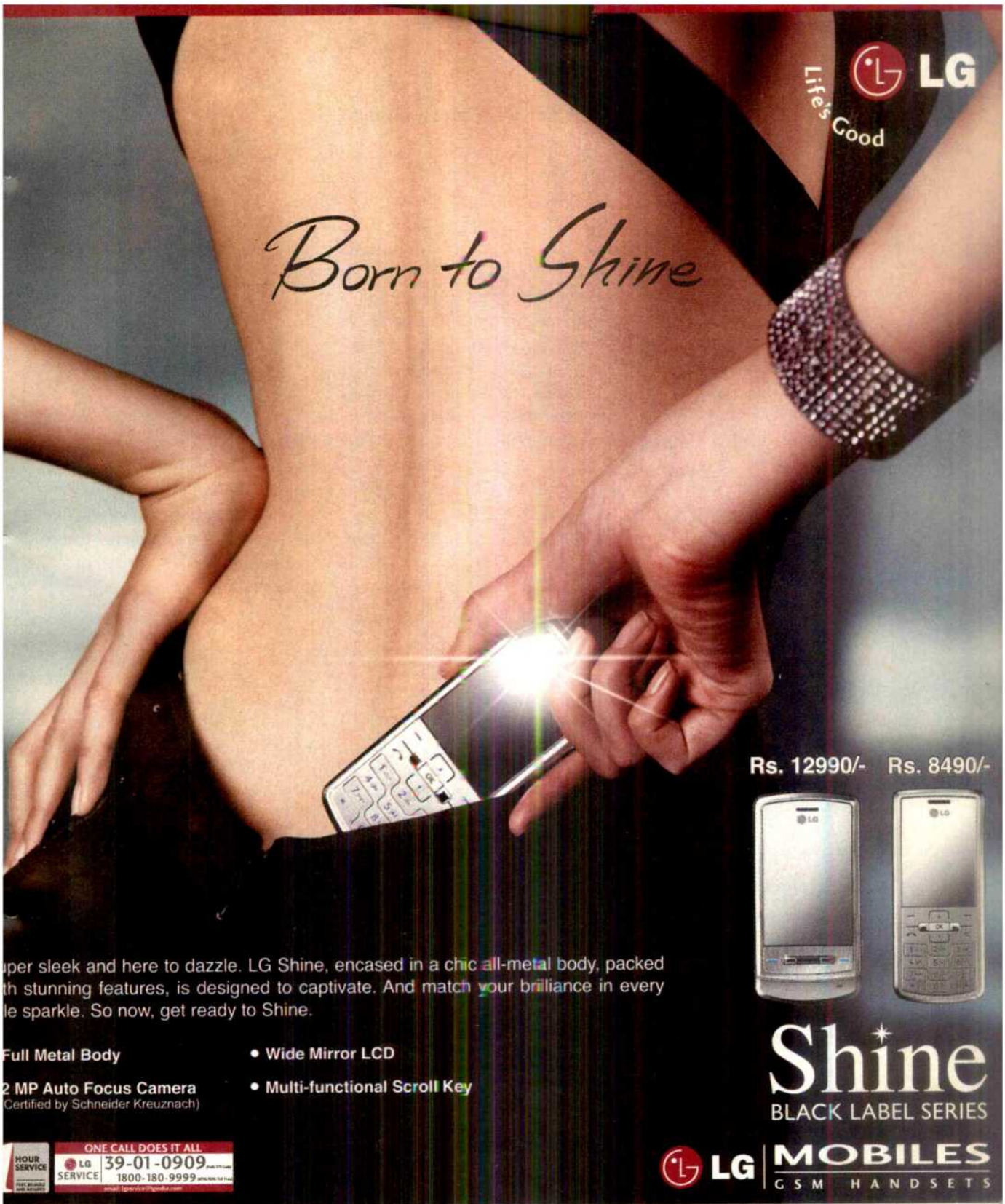

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If the bubble bursts

❑ Your cover story 'Refugee Capital' (*BW*, 12 November 2007) on capital fleeing developed shores to seek refuge in emerging markets was well balanced and, hence, made for an insightful read. However, it is difficult to be a wholehearted supporter of the phenomenon since it essentially delinks market movements from actual economic performance. This makes the stockmarket an oddity, unconnected with the real economy. Compound this with the fact that this hot money generally gets channelled only towards financing 'bubbles' such as the real estate scenario in India today, instead of being directed to long-term productive investment ventures. So, while the stockmarkets may be rejoicing at scaling dizzying heights, the cynicism remains — can a growth story riding on an exponential expansion in the number of malls rather than, say, national highways, be sustainable?

Natasha Khandelwal, *via e-mail*

JOURNALISM'S CREDO

The piece 'Exorcising The Beast' (*BW* 12 November 2007), showed lack of knowledge. It's not only about communal bloodsheds but also about many other things and at many levels. There is a need for change not only at those levels of power but also in the minds. Like always, hatred can sell much faster than love. Tehelka magnifies the Gujarat riots, and BW Opinion provides nothing new. Aaj tak and IBN7 signifies it by translating it into an unlimited length of hype — all for money and not for the mind. I find no difference between politics and journalism, and between Narendra Modi and the media. In this drama, everybody earns except the victims. But can you classify the truths of the beastly fire between communities? Is there any uniformity of knowledge on matters of communities and castes in terms of raising accusing fingers at anyone? Not at all. No Hindu can think of a Muslim as a human and vice versa.

K.S. Mishra, *via e-mail*

NOT TO BE IGNORED

Congratulations for publishing in your 'Most Respected Companies' issue (*BW* 5 November 2007) a very accurate survey of the respect companies command among their peers. TCS could not find a place in the top 71 companies of India, while companies such as McDonald's, Shoppers' Stop, Zodiac Clothing, did. Kudos to the impartial journalism! Incidentally, did you keep TCS in the initial list of 300 companies?

N.C. Datta, *via e-mail*

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in this issue

KISHORE DAS

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A Brush With Business

Indian art has got a new canvas: the market. And it is etching out some bold strokes. As Venus steps out of the arbour of the drawing room critic to make an overture to Mammon, it's time to celebrate for painters, buyers, professionals and even the executives who may soon find a splash of colour in their investment dossier.

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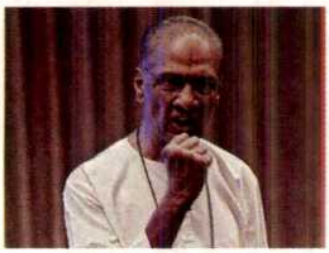

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Cover Design: Jyoti Thapa Mani
Photograph: Christie's Images Ltd 2007

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BW Online

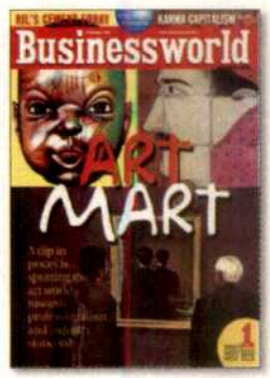
- **Multitasking Madness:** Prosenjit Datta on why attention deficit trait is becoming so common.
- **Restoration In Art:** Sanjitha Rao Chaini explains why there aren't enough people to salvage art.

Log on to www.businessworld.in

The art of making money

THE stroke of a brush, a burst of blue on a white canvas and what have we got: an asset worth Rs 5 crore? Incredulous as this seems to folks who toil for years but never see that kind of money, art is becoming one of India's hottest investments. But here's what's really interesting. People who never make that kind of money could make that kind of money, if only they understood how to play in India's fledgling art mart.

Media attention often focuses on soirees where aficionados and socialites (and sometimes they can even be the same person) trade million-dollar oils by star artists. But this glitz, much of it manufactured, detracts from the fact that the real finds in today's art market are the still obscure but brilliant painters refining their skill and vision in musty studios somewhere. Their work, if bought today for a few lakhs, could be worth many crores tomorrow. So, like venture capitalists who sniff out the best companies from a gaggle of potentials, would-be art investors with limited means could make a killing, if only they acquired knowledge and taste.



That's easier done now than ever before. Earlier, when things Indian were not considered chic, Indian art was the domain of a handful of connoisseurs. They trekked through derelict alleys in Kolkata's Kalighat area to buy evocative paintings by artists such as V.S. Gaitonde for a song. Then two years ago when things Indian were suddenly in vogue, the price of Indian art went stratospheric. Either way, the small guy was locked out. But now, a temporary dip in prices is changing that.

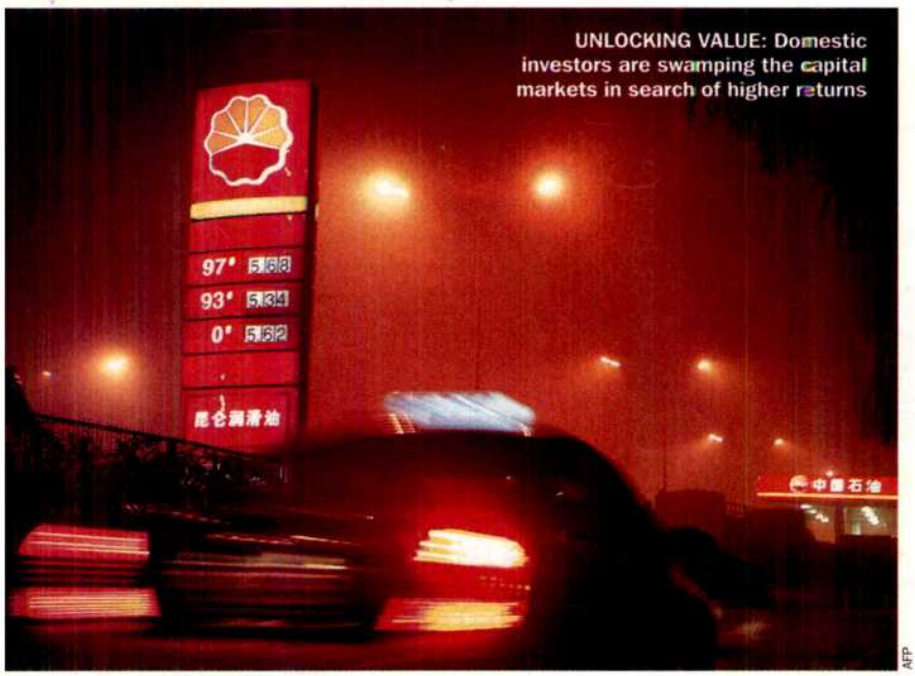
Bust bubbles usually bring on better governance and the art mart is creeping towards more professionalism. Trained curators, reputed galleries and transparent auctions are challenging the chaotic combination of hustlers, coffee-room critics and faux mavens who made a killing in the early days of the art boom. These professionals will help Indian art develop, and using them will allow even middle-level executives to look at art as an investment. Not all are happy. Purists say commercialisation breeds greed which kills art. And many artists sneer at the MBAs and art historians running around their studios. But no one refuses fat cheques, and the art mart is poised to become India's next multi-billion-dollar industry.

Jehangir S. Pocha, Editor

PETROCHINA IPO

Stunning the world

PetroChina is the first company to zoom past the $1-trillion mark in market cap



UNLOCKING VALUE: Domestic investors are swamping the capital markets in search of higher returns

AFP

THE Ambanis of the world, it seems, are not the only ones bewitched by that fickle benchmark called market capitalisation. Communist China squashed Russian ambitions and America's capitalist braggadocio in one fell swoop when it listed PetroChina on the Shanghai stock exchange on Monday.

The company, a subsidiary of government-owned China National Petroleum Corporation, offered four billion shares, or just 2.18 per cent of the company's total outstanding shares, to raise $8.94 billion.

The value of the oil producer's shares tripled within hours to give it a market capitalisation of $1.1 trillion — that is 70 per cent of India's total market cap, more than the size of Russia's stockmarket and more than the market capitalisation of Exxon and General Electric (GE) put together. Exxon, which until now was the world's most valuable company, has a market cap of $480 billion while GE, the world's oldest listed corporate citizen, has a market cap of $400 billion.

At 43.96 yuan, PetroChina is trading at a price-earnings multiple of 55. In comparison, Google, with a market capitalisation of $222 billion, trades at 58 times its last year's earnings. Back home, the market cap of Reliance Industries, the largest Indian private sector company, trading at a PE of 28.3, is just $97 billion, not even a tenth of PetroChina's.

Interestingly, the company's shares rose only on the Shanghai Stock Exchange, where traders and investors are predominantly Chinese. On the Hong Kong Stock Exchange, which is dominated by foreign investors, PetroChina fell 8 per cent after listing.

At 45 per cent, the Asian giant has a very high domestic savings rate and people are now increasingly channeling their money into stocks and bonds as the government pushes companies from under its wings to the capital market in search of global scale and size. Blockbuster openings such as PetroChina's will only draw more people into the markets.

"Most of the enthusiasm for the Chinese markets comes from domestic investors," says Robert Morse, CEO of Asia-Pacific Markets at Citi. "In fact, China now has more brokerage accounts (100 million) than Communist Party members (75 million)."

Indian policy makers, who have watched in awe the strides China has made in the global economic and political arena, could perhaps take a leaf out of its neighbour. Any news on the proposal to merge public sector banks or state-owned oil companies? ■

DINESH NARAYANAN

BLOOMBERG

"Given the size of the recent losses in our mortgage-backed securities business, the only honourable course for me to take as chief executive officer is to step down."

Charles Prince, who resigned as chairman and CEO of Citigroup on 4 November 2007

SHIPPING POLICY

Troubled waters

A ship accident every fifth day during June-August has forced the Directorate General of Shipping to tighten its grip on foreign vessels.

A sudden spurt in shipwrecks has put Indian authorities on high alert, and for good reason. In just three months of June, July and August, as many as 17 ships met with accidents in Indian waters. This is almost thrice the annual average of 6-7 wrecks.

"Wrecks not only create environmental problems, with risks of oil spill, but also pose dangers to other vessels approaching the shore," says a shipping ministry official. Besides, removal of wrecks is an expensive affair and insurance claims are not so quickly and easily settled. UNDP estimates the cost of removing a wreck at anywhere between $1 million and $8 million a vessel.

A shipping ministry official blames bad weather and ageing vessels (25-30 years old) for the increased number of wreckages this year. Indian territorial waters already have 43 shipwrecks to be salvaged and a renewed spate of accidents spells more trouble, ecological risks and more costs.

Officials say most of the vessels involved in accidents this year are foreign vessels. So, the director-general of shipping has proposed that all foreign liners must be classified by the Indian Register of Shipping, a globally-recognised ship classification society. Marine vessels are classified according to the soundness of their structure and design, based on the cargo they carry. The rules are designed to ensure an acceptable degree of stability, safety and environmental impact, and seek to weed out vessels unfit to sail, say shipping ministry officials.

But shipping associations are unhappy with the proposed procedural requirement. "We understand the DGS's concerns," says S. Kulkarni, general-secretary of Indian National Shippers Association. "However, 85 per cent of vessels coming to Indian ports are foreign flags. You cannot expect all of them to register with the IRS. This may affect trade flow into India."

Kulkarni says if vessels are classified by one of the 11 existing international societies, then there is no need for one more by an Indian agency. The registration should be applicable only to those vessels that are not classified by other recognised societies. ■

VISHAKA ZADOO

REUTERS

COLLISION COURSE: As many as 17 ships have met with accidents in three months

$35 million The total compensation earned by **Fernando Alonso** of Spain, the world's highest paid Formula One driver, in 2006

SPECTRUM

Disadvantage: Reliance Com

IT'S the latest twist in the long-winding spectrum allocation saga. Tightening the norms for additional spectrum, the Telecom Regulatory Authority of India (Trai) and the Telecom Engineering Centre (TEC) have said operators need to have from 2-8 times the existing subscribers to get additional spectrum. If you thought it was all over, now the Department of Telecommunications (DoT) has decided to constitute a committee to review spectrum allocation to existing mobile operators. The committee will submit its report in three weeks.

What does this mean for existing operators? "It's good," says T.V. Ramachandran, director-general of Cellular Operators Association of India (COAI). "It clearly validates what we had been saying all along that the subscriber criteria were flawed."

In case the committee comes up with norms that are lower than what TRAI had suggested in end-August, it will be difficult for companies such as Reliance Communications to get GSM spectrum. At one stroke, they will be pushed back in the queue. That will make it almost impossible for new applicants to get any spectrum. However, it's still early days. Hopefully, at the end of three weeks, there will be an operational mechanism for future spectrum allocation.

But existing cellular operators have something else to rue. The DoT recently allocated 10 Mhz of spectrum to Bharat Sanchar Nigam and 12.4 Mhz to Mahanagar Telephone Nigam. BSNL has got it in 16 circles while MTNL has got it in Delhi and Mumbai. Ramachandran argues that private operators are only seeking a level-playing field with state-owned operators, and hopes the committee will take note of it. ■

ANUP JAYARAM

APOLLO TYRES

Fraternal feud

OH, BROTHER! Onkar Singh Kanwar, chairman, Apollo Tyres

DILEEP PRAKASH

THERE is a sense of déjà vu about accusations by Narinder Jeet Singh Kanwar, younger brother of Onkar Singh Kanwar, chairman of Apollo Tyres (ATL), that the latter misused company funds to increase his control over the company. Narinder has filed a petition with the Company Law Board charging Onkar Singh with diversion of ATL funds.

In 1993, Raunaq Singh, Onkar's father and ATL founder, had accused him of similar malfeasance. Onkar was then trying to oust his father from ATL management as the two differed on how to use the company's cash: Onkar wanted to expand ATL, his father wanted to fund the projects of his other four, not-so-successful sons — Arvindar Paul Singh Kanwar, Surindar Paul Kanwar, Narinder Jeet Singh Kanwar, and Satinder Pal Singh.

Since then, Onkar has built ATL into a billion-dollar company (FY07 revenue of Rs 4,299 crore) whereas Arvindar's Apollo Steel Tubes has gone down the tube and Narinder's Panchshila Rubber is hard to locate. Satindar, Raunaq Singh's son from his second marriage, has not done anything of note. The most successful is Surinder, who inherited Bharat Gears, which clocked Rs 225 crore in revenues last year.

Narinder's plea may not go too far as he hardly has any stake in ATL. The promoters — Onkar Kanwar, his family, and their investment companies — hold 32.43 per cent in the company. Four firms listed in the petition as the recipients of ATL money for buying the company's stocks — Raunaq Finance, Omex Investment, Juhi Investment, and Swarnaganga Consultants — do not figure among its promoter shareholders as on 30 September 2007. However, the other three companies listed by the accuser — Neeraj Consultants, Sunray Properties, and Sacred Heart Investment — together hold 12 per cent.

The battle between the brothers makes a spectacle of the family, once again. But, love does not buy money, brother. ■

FEROZ AHMED

DNA

Seeking regional comfort

THE launch of DNA — the English daily from the Bhaskar Group-Zee stable — in Ahmedabad and Surat clearly indicates a change in the group's growth strategy. Initially, the idea was to make DNA a pan-India paper with Delhi, Bangalore and Chennai editions quickly following the Mumbai launch in 2005.

The idea now is to first ramp up the readership numbers. The recently-announced Indian Readership Survey data shows DNA's reader base has jumped 24 per cent to 632,000 over the last six months. In just two years since launch, DNA is almost at 50 per cent of the readership of market leader Times of India.

"Yes, there has been a change in strategy," says K.U.Rao, CEO of Diligent Media, the joint venture of Bhaskar Group and Zee. "To launch, the numbers have to stack up." Tier-II cities such as Baroda and Rajkot, where competition is not stiff, will be the new launch destinations. The Bhaskar Group, which made a success of its Gujarati daily *Divya Bhaskar* in a short time, hopes to use its circulation network in Gujarat to push DNA, too. The strategy of dropping the more expensive proposition of the capital and other metros for tier-II cities will mean more visibility, but less returns in ad revenue.

CHANGING TRACK: DNA plans to ramp up numbers before going pan-India

DNA's competitors, however, rubbish its Mumbai performance as a story built on heavy losses to the tune of Rs 400 crore in two years. "Ask them (ToI) how much they lost when they were fighting Hindustan Times (HT) in Delhi," retorts Rao. "Discounts or not, HT and DNA have jointly taken away Rs 200 crore of advertising from ToI."

For now, western India is the new battleground. ■

GURBIR SINGH

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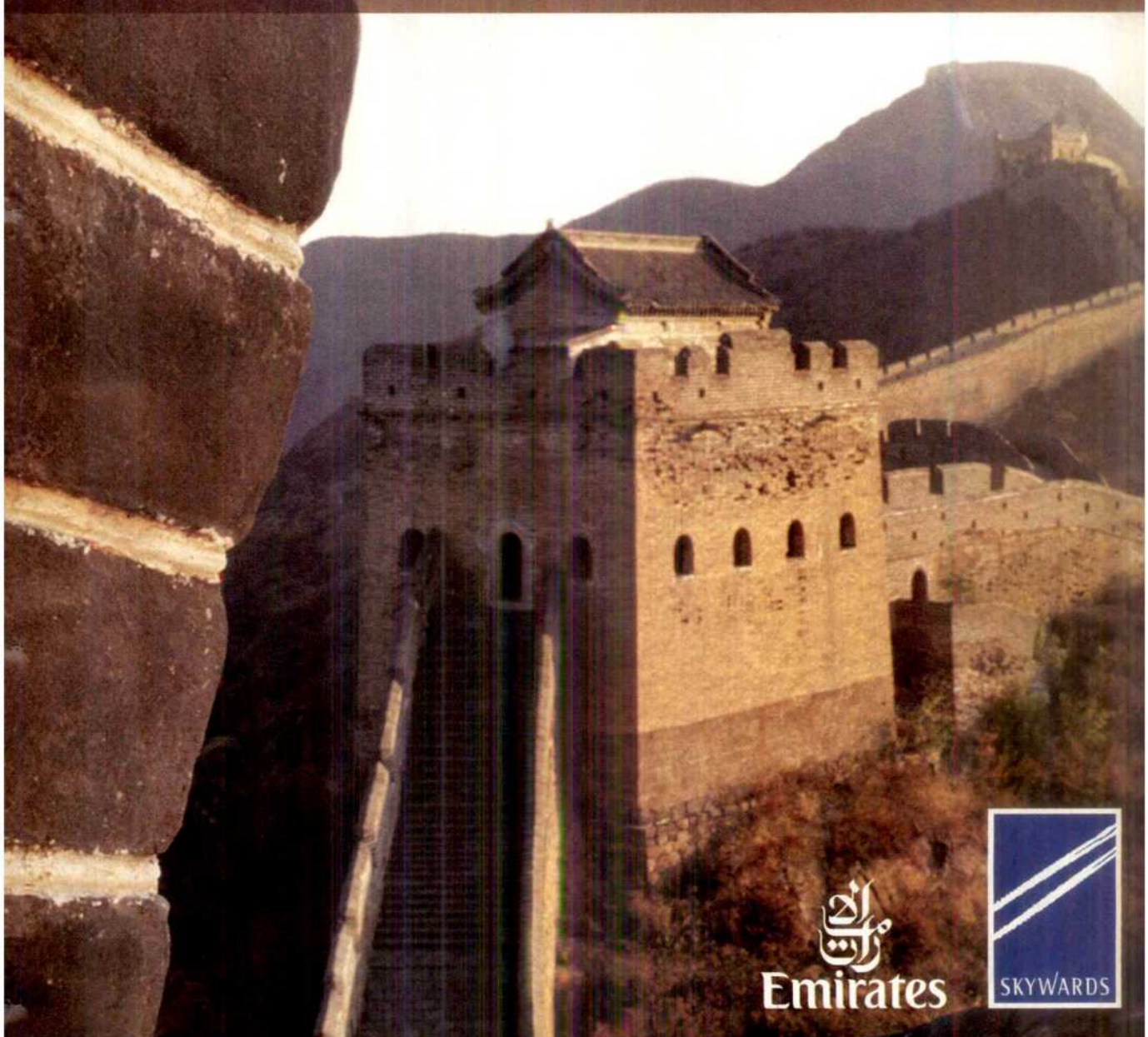

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DECCAN

Air pockets, yet again

IN THE RED: Will the image makeover help Deccan steer clear of losses?

AFP

INDIA'S first low-cost airline, Air Deccan, posted its largest ever quarterly net loss of Rs 253.18 crore in the July-September quarter this year. At nearly six times the figure for the same period last year, this setback comes at a time when Deccan is attempting a re-invention after Vijay Mallya's United Breweries bought 46 per cent in it. "A lot of initiatives are slowly getting into place, but you can't get things sorted out in a jiffy," new Chief Executive Ramki Sundaram was quoted as saying in a news report.

Deccan's image makeover addresses issues such as poor on-time performance, cancellations, inferior quality of service and condition of aircraft, which had caused it to go into a financial tailspin. Relying on brand recall, only 'Air' has been dropped from its name, which is now painted Kingfisher's red and sports the latter's logo. "We want to draw a strong synergy between the two brands," says Nalin Gagrani, head of marketing at Deccan.

There's a thin line between bringing a low-value brand on the same platform as a high-value brand without confusing the consumers, according to Kapil Kaul of Centre for Asia Pacific Aviation. Deccan executives insist the image makeover will keep the airline low cost but not 'cheap'.

Since June, Deccan has leather upholstery, serves free mineral water, offers tele and Web check-in, mobile ticketing, and claims better on-time performance. Contract employees are now on the company's rolls and Re 1 ticket promos are over. But though load increased to 14 million passengers this quarter, revenues expanded just 26.25 per cent.

A new website, a commercial reflecting Kingfisher's service standards and a tagline, "Now, the choice is simple" may help Deccan change its image. "We saw the acquisition as a point of influx to bring in the change in perception," says Rajeev Rakshit, brand partner and branch director at Orchard Advertising, Deccan's agency since 2003. ■

MEGHANA BIWALKAR

GOVERNMENT STOCKS

Hidden treasure trove

EVERYTIME the Sensex scales a new peak, there is a mad scramble to figure out who tops the chart in the market cap sweepstakes. Well, it is definitely not either of the Ambani brothers.

If happens to be the President of India, who holds all the shares of government-owned companies. The notional wealth of the President of India climbed a staggering $190 billion, a steep rise of 116 per cent in rupee terms since March 2007.

As on November, the government holding in listed stocks is valued at $327 billion. If the pile-up of forex reserves — $261 billion — with the Reserve Bank of India is added, the collective wealth managed by the government stands at $558 billion, just a shade off 60 per cent of India's $1-trillion economy.

For more eye-popping details: it is not the government-owned Oil and Natural Gas Company or the Fortune 500 Indian Oil Corporation that commands the maximum valuation. The little-known National Mineral Development Corporation (NMDC) and Metals and Mineral Trading Corporation (MMTC) have added most to the President's portfolio — almost $100 billion, says Credit Suisse in a report to its clients on 5 November.

The growing hunt for limited resources to power infrastructure of growing economies such as India and China is driving valuations of such companies to the roof.

This humongous wealth is sufficient to retire the nation's external debt two times over. India's fiscal deficit can be wiped out by just about a 9 per cent yield on the total value. It is enough to fund the entire country's infrastructure needs.

However, now that privatisation has been put on the backburner, it is like having the cake, but not being able to quite relish it. ■

BAIJU KALESH

A sweet debt funding

MUMBAI-based GTL Infrastructure is funding its telecom tower infrastructure business using unsecured, five-year, zero coupon foreign currency convertible bonds (FCCB). The company has raised $300 million through this route at a yield-to-maturity of 6.9 per cent. This is just 240 basis points above the LIBOR and an attractive rate for funding the capital expansion programme of the company.

GTL Infrastructure being the only listed company in telecom tower infrastructure business in India, more than 90 investors have evinced interest and the issue received a huge demand of $1.1 billion. The issue was sold over the telephone in less than two hours of its opening.

The company has, in less than a year, raised more than Rs 2,927 crore through equity and debt to fund its expansion plans. It has tied up debt to the tune of Rs 1,485 crore for Phase-I of its capacity expansion plan and in Phase-II, GTL has earmarked an investment of Rs 3,000 crore. Company officials say that they already have commitment to the tune of Rs 1,300 crore for Phase-II from banks and institutions, and the financial closure will be achieved soon.

The total project cost for building 23,700 towers in both Phase-I and Phase-II combined is expected to be Rs 7,265 crore.

"The reason we have been able to raise these funds is because of the nature of our business model," says Manoj Tirodkar, chairman and managing director of GTL Infrastructure. "We are the only independent telecom tower builder and owner in the country. Our competitors are companies that are owned by telecom operators and they are not able to get more operators easily on their towers because of competitive reasons."

Being an independent player, GTL is putting towers where every operator needs them, says Tirodkar. "We always get at least two operators on each tower, making our business model more profitable." ■

K. YATISH RAJAWAT

FEROZ AHMED

TOWERING BIZ: Investors have given a thumbs up to GTL's roaring telecom tower business

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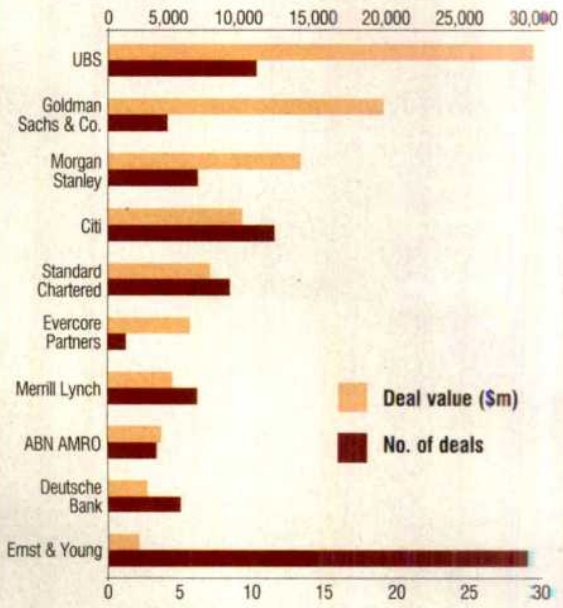
India financial advisory rankings



Figures for 1 January-5 November 2007

Top 10 India deals

TARGET	ACQUIRER	DEAL SIZE ($m)
Southern Iron & Steel Co.	JSW Steel	675.09
Uniphos Enterprises	Demuric Holdings	268.47
Adani Power	3i India Infrastructure Fund	227.00
Yes Bank	Orient Global Tamarind Fund	84.28
SREI Infrastructure Fin	Undisclosed investor	63.69
Core Projects & Tech	Wisdom Global Enterprises	50.92
Kemrock Industries & Exports	Undisclosed investor	50.39
Nief Plastic	Sintex Industries	44.28
Morton Grove Pharmaceuticals	Wockhardt	38.00
Bank of Rajasthan	Undisclosed investor	38.00

Figures for 21 October-3 November 2007

League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Note: Figures are based on ultimate parentage, meaning than an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date.

Log on to www.businessworld.in for the complete list

INFRASTRUCTURE

Good times ahead

THE era of infrastructure is near. According to a recent report by consulting firm Ernst & Young, the world will be spending an average of $1.75 trillion a year from now till 2030 on roads, rails, telecom, water and electricity (transmission and distribution). India will spend $320 billion on roads, ports, airports, railways and power generation over the next five years.

Infrastructure will be a major asset class for private capital because of its almost-assured returns over the long term and pressure on rates of return in traditional investments. The report contends that the prevailing low rates of interest are encouraging private capital to take up long-gestation, highly-leveraged projects. The market capitalisation of the currently-listed infrastructure funds all over the world is $2.1 trillion, which is about 5 per cent of the market cap of global equities markets. Also, developing countries such as India will have to vie with the US and the UK for global infrastructure dollars.

In India, the report points out, the water and power sectors will get large private investment, domestic and global, only when pricing of water and electricity is liberalised. Private investment in the transport sector — highways, ports, airports, railways — is already underway. Between 1990 and 2005, 172 infrastructure projects with private investment of $51 billion reached the financial closure stage.

To attract private investment, the Indian government is offering to fill up to 40 per cent gap in viability in some projects that are not viable on their own. Foreign investment in infrastructure in India is coming through funds as well as direct investment.

India's rate of return on equity, 14 per cent, is comparable to the US' 12 per cent. Indian investors, too, have an opportunity to play in the global infrastructure market through funds or direct investments. ■

FEROZ AHMED

Sound future

Major infrastructure investment planned in India over the next five years	
Power generation	Rs 5,20,000 cr ($130 bn)
Roads	Rs 1,90,000 cr ($48 bn)
Ports	Rs 48,600 cr ($12 bn)
Railways	Rs 48,600 cr ($12 bn)
Airports	Rs 36,400 cr ($9 bn)

Source: Ernst & Young report: *Investing in Global Infrastructure 2007 — An Emerging Asset Class*

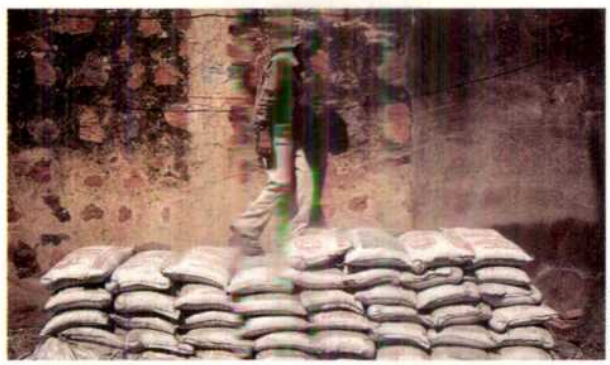
RELIANCE INDUSTRIES

Cement foray

RELIANCE Industries (RIL), which is setting up three of India's largest SEZs in Haryana, Navi Mumbai and Gujarat, has sent feelers to Braj Binani-promoted Binani Cement to either use its spare capacity or buy it lock stock and barrel.

Binani has an annual capacity of 5.3 million tonnes at its plants in Rajasthan, and recently announced Rs 1,800 crore investment plans to ramp up capacity to 12 million tonnes by 2011-12.

Cement constitutes 20 per cent of the total cost to build any project, says M.V. Sivadas, a project manager with UBC Builders that takes projects for Military Engineering Services. Reliance, which has projected investing nearly Rs 1 lakh crore in the three SEZs, hopes to save on some of those costs by producing its own cement. Every tonne of steel requires four tonnes of cement.



BLOOMBERG

CUTTING COSTS: RIL wants captive units to beat price volatility

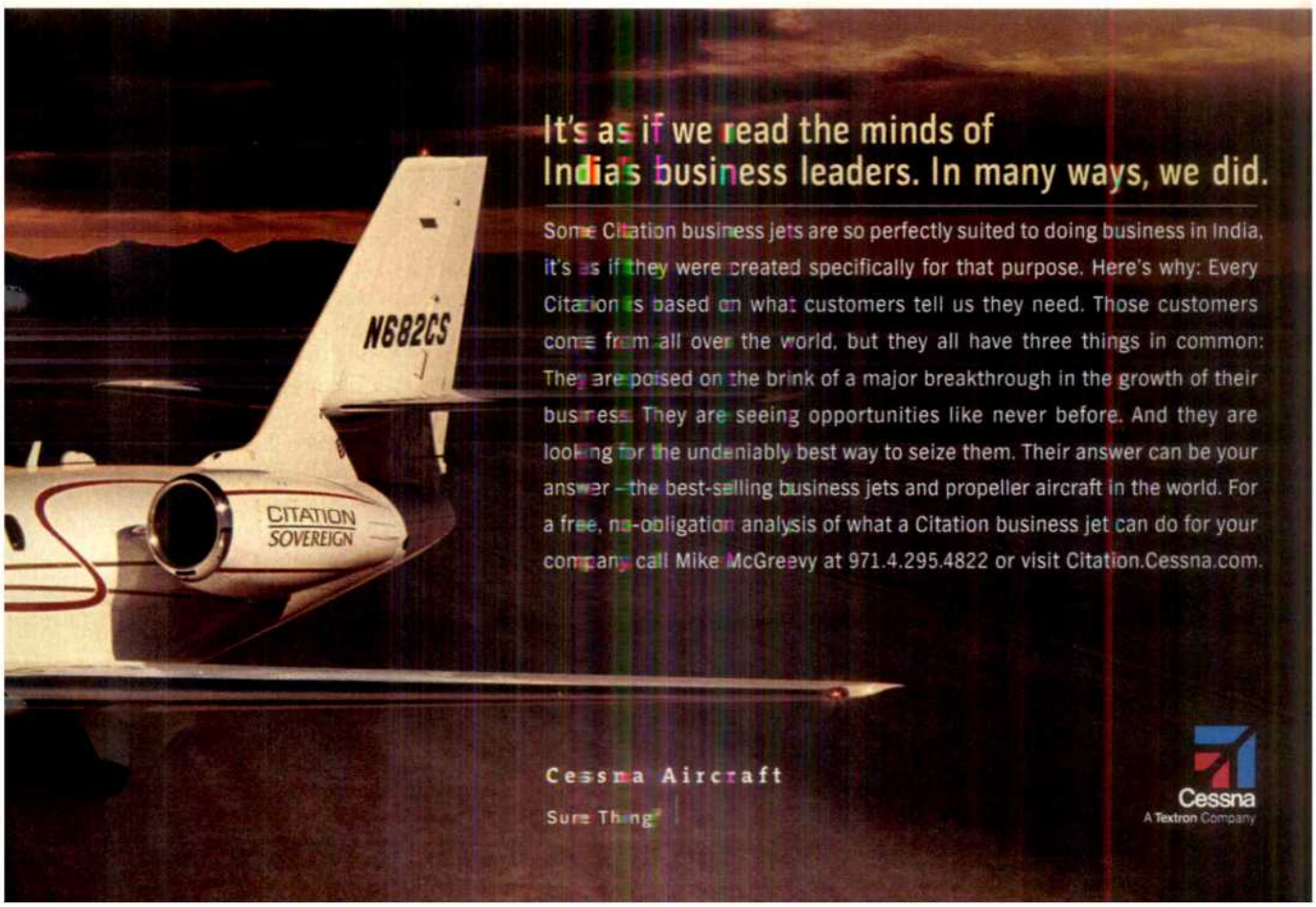
Getting into unrelated businesses to pare down costs to the bone is not new to Reliance Industries Chairman Mukesh Ambani. While building Reliance Communications, he had cut costs by using the spare capacities of producers of jelly-filled cables, to make cables.

Similarly, for his refinery at Jamnagar, Ambani set up an engineering firm, employing over 100,000, to check time and cost overruns.

A captive cement plant will insulate RIL from the vagaries of price. The prices of a 50 kg bag has moved up to Rs 250 from Rs 140 a year ago. The cement industry has witnessed consolidation recently and players themselves have restricted marketing cement about 300 km in and around their plants to arrest price fall. With no fresh capacity coming up in the 140 MT cement market, the demand will outstrip supply and prices will continue to rise.

The country's largest private sector company could also get a dedicated cement supplier. ■

BAIJU KALESH



by kenneth rogoff

Kenneth Rogoff is Professor of Economics and Public Policy at Harvard University, and was formerly chief economist at the IMF.

The golden haves

LATELY, I have been trying to explain to my 11-year-old son Gabriel the astronomical differences between people's income. Bill Gates first penetrated Gabriel's consciousness a couple of years ago, when his father served as a warm-up act to Gates at a large conference. Ever since, Gabriel has been fascinated by the possibilities of having $60 billion.

For example, whenever I tell Gabriel that something is unbelievably valuable (even, say, a great painting in a museum), he invariably says, "But Bill Gates could buy it, right?" Yes, Gates could buy the whole museum. But then he would just turn around and give it back so everyone else can see it, so there is no point. Gabriel is not entirely convinced.

Gabriel has decided that if he can't become a professional basketball player when he grows up, then he'd like to buy a team. I cannot help but ask him if he knows that it costs $300-500 million to buy a National Basketball Association team. "But Bill Gates could do it. He could buy all the teams in the league, right?" Yes, I say. But if Bill Gates were to own the entire NBA, how would he decide which team to root for?

Gates is not the only one who can easily buy teams and paintings. The latest Forbes list of America's wealthiest individuals showed that last year's highest nine earners managed to increase their wealth by $5-9 billion last year. Yes, that is just the annual increase in their wealth.

To put these huge numbers in perspective, to be among the top nine earners in the US, you had to pull in at least $150 per second, including time spent eating and sleeping. That is $9,000 per minute, or $5,40,000 per hour.

How much do America's highest earners make compared to the world's billion poorest individuals? If the top nine donated their earnings, it would be the equivalent of about three months income for the bottom billion. As for the other nine months, given that the US accounts for only 25 per cent of world income, it is a fair guess that there are some very wealthy individuals elsewhere who might be able to kick in.

The idea that the ultra-rich could easily solve poverty is stupefyingly naïve. Most serious academic research strongly supports the view that rich countries can best help poor regions like Africa by opening their markets, and by providing assistance in building physical and institutional infrastructure. The greatest successes in fighting global poverty have come from China and India, two countries that have largely pulled themselves up by their own bootstraps.

Are massive income differences an inevitable outcome of fast growth? By and large, the answer from history is 'yes'. China, whose growth performance has broken every record, is on its way to having the world's most unequal income distribution.

Policy solutions are not easy. Many super-earners are also super-creative and bring enormous value. Places like the UK actively court wealthy foreign nationals through preferential treatment of their investment income. The ultra-rich are an ultra-mobile group, too. If you are earning $540,000 an hour, it does not take too long to save up to buy an apartment, even in London.

Anyway, there are limits to how much tax pressure the political system can apply to the ultra-rich. Rather than punitively taxing wealth, globalisation strengthens the case for shifting to a flat tax on income (or better yet consumption) with a moderately high exemption. Aside from the usual efficiency arguments, it is just going to become increasingly difficult and costly to maintain complex and idiosyncratic national tax arrangements.

Unfortunately, movements towards fundamental tax reform are on the back burner in most countries. One can only hope that our children's generation will grow up to live in a world that does a better job of balancing efficiency and equity than we do. Gabriel says he is going to think about it. ■

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Are massive income differences an inevitable outcome of fast growth? By and large, the answer from history is 'yes'

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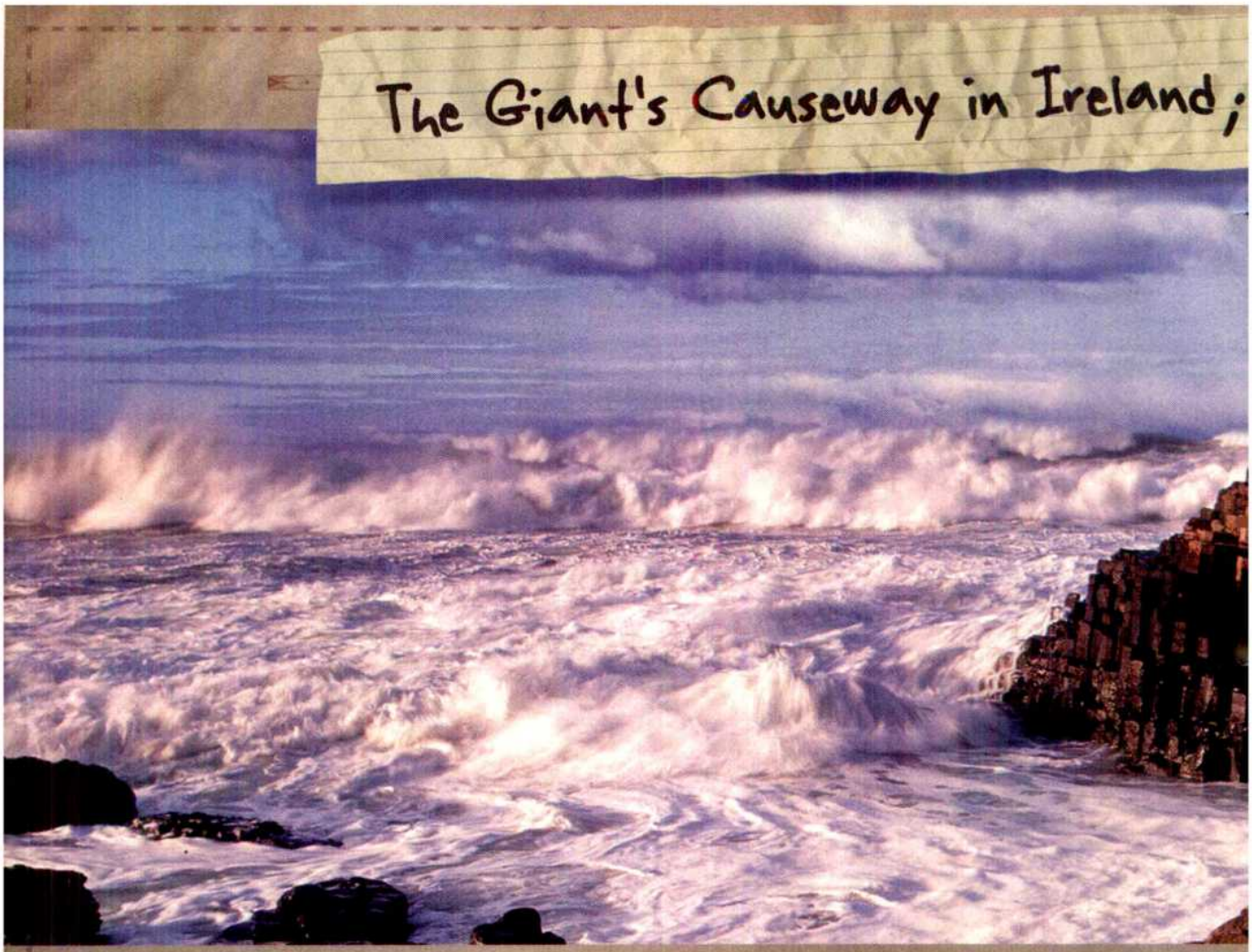

I first heard of the Causeway at a lively street corner in Belfast one night. A group of musicians were singing a song about a particular legend that caught my ear. True to its name, the Giant's Causeway was apparently once the setting of a duel for supremacy between two giants. One of them, Finn McCool scared the other one away by introducing himself as his own child. As luck would have it, the musicians were en-route north to the Causeway themselves and I gladly hitched a ride with them. So off we went taking the coastal route

Trek to the Giant's Causeway in Northern Ireland - a natural world heritage site.
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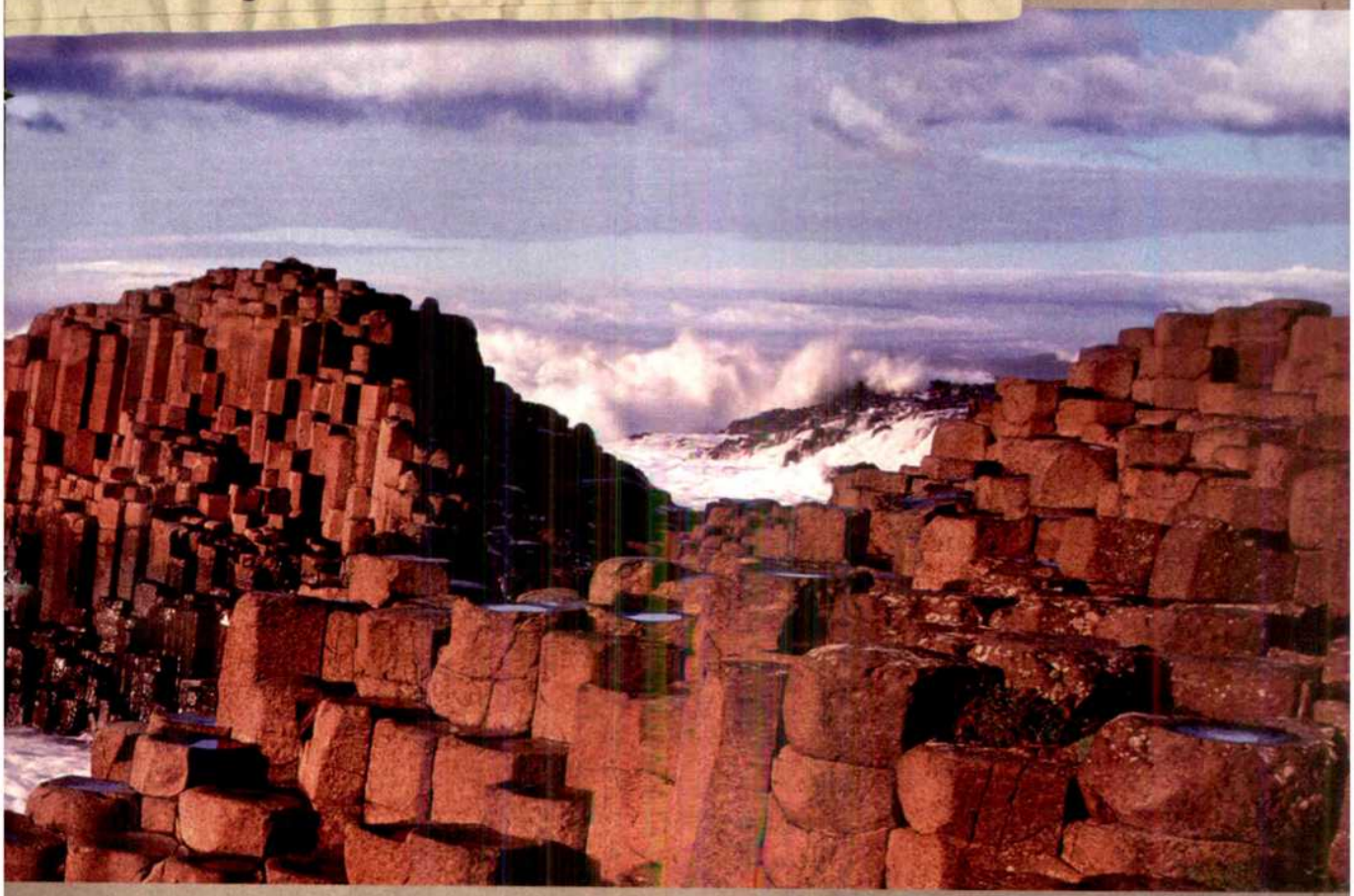
humbling even the biggest of us.



from Belfast via the Carrick-a-Rede Rope Bridge to the Causeway. And yet on getting there, I discovered it to be the setting for quite another heavyweight duel. On one hand, the ruthless force of the Atlantic washing away everything that stood in its path. On the other, rare six-sided basalt rocks meshing together in a defensive fortress above the water. Back and forth they tussled and have so relentlessly since the beginning of time. Tides changed and tilted the balance in favour of one over the other. And then I realised there was a victor; I who was witness to the beauty of it all.

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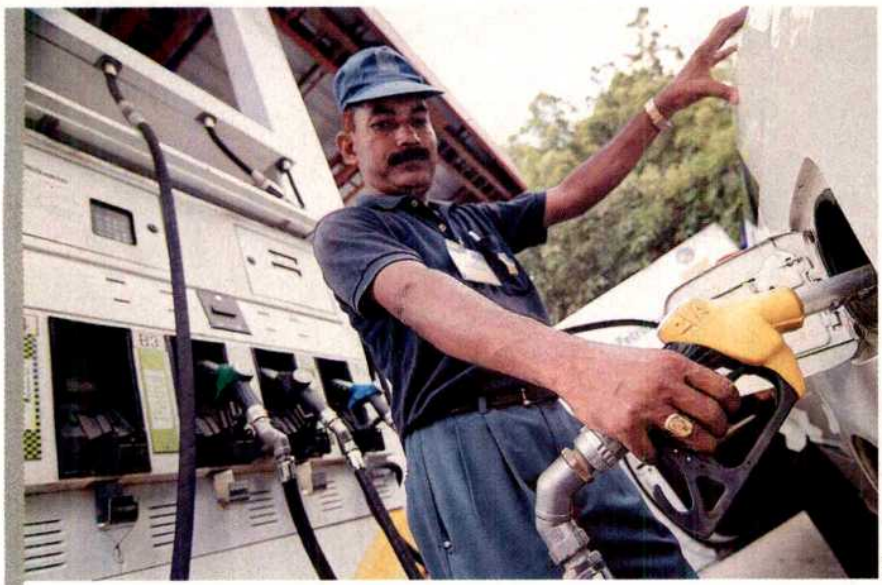

AFP

FUEL ON FIRE: Price hike will set off an inflationary spiral

CRUDE REALITY

Global spurt in oil prices forces the government to pick between foregoing easy revenue and deferring current liabilities

PUJA MEHRA

SINCE the UPA government assumed office in May 2004, the reference price for global crude — the Indian basket — has more than doubled from $39.21 a barrel to $88.28. The more popularly quoted WTI, or West Texas Intermediate, came close to $100 a barrel when it rose sharply to $96 on 2 November. Yet the retail prices have not been raised commensurately — petrol prices have gone up 29 per cent, diesel 40 per cent and LPG 22 per cent. The price of the poor man's fuel, kerosene, has been largely spared with marginal hikes totalling to less than a percentage point increase.

Though the coinciding steep appreciation of more than 15 per cent in the rupee during this period has soothed the blistering rise — and prevented a slow-down effect on economic growth — the oil PSUs, which got more than Rs 50,000 crore in a relief package from the government less than a month ago, are complaining again. Mounting 'under-recoveries' have rendered the relief inadequate, they say. Says Sarthak Behuria, chairman of Indian Oil Corporation, "The losses of the three government-owned oil marketing companies have gone up to a whopping Rs 240 crore per day."

Part of the problem is the heavy taxation of petroleum products. Of the per litre retail price of Rs 43.52 for petrol in Delhi, Rs 23.32 go into the government's coffers. About Rs 10 of the Rs 30.48 consumers pay for diesel in the capital are taxes. Some of the taxes are ad valorem — the amount to be paid increases as the price rises. Last financial year, total collection from the sector, including dividends from the state-owned companies, by the states and the Centre stood at Rs 1,55,923 crore or 35 per cent of the total revenue. Since kerosene and LPG are heavily subsidised, the Centre has been reluctant to reduce its dependence on petrol and diesel for revenue.

Last week, Petroleum Minister Murli Deora met the Prime Minister and the Finance Minister. Officials who attended the meeting say price hikes were ruled out in view of the impending elections in Himachal Pradesh and Gujarat. There were also concerns about price hikes setting off a spiralling inflationary effect.

The next round of discussions is scheduled after Diwali. If the global prices remain at existing levels, the finance ministry might agree to some tinkering in the excise duty rates. The petroleum ministry has sought, among other relief, a Rs 2 per litre cut in excise duty for both diesel and petrol.

The ministry is also trying to push the formula cleared by the Cabinet on October 11 for sharing of losses between the government and the oil companies for 2007-08 for the losses incurred also after October 11.

As per the formula, the government has to issue bonds to cover 42.7 per cent of the under-recoveries. State-owned oil producers such as ONGC and OIL are to offer discounts and take on their account 35 per cent of the losses. The marketing companies would absorb the remaining under-recoveries. "The formula was cleared for the whole financial year of 2007-08," points out a senior petroleum ministry official. The finance ministry, however, wants to resist issuing more bonds since the instrument merely defers the government's current liability. Since 2005-06, oil bonds worth Rs 35,621 crore have been issued. In addition, oil bonds for Rs 23,457.24 crore cleared last month are awaiting the Parliament's approval.

Though the government has not dispatched the sum to these companies yet, it let them factor in the bonds worth over Rs 55,000 crore in their second quarter results to avoid operating losses. ■

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A lot in a little

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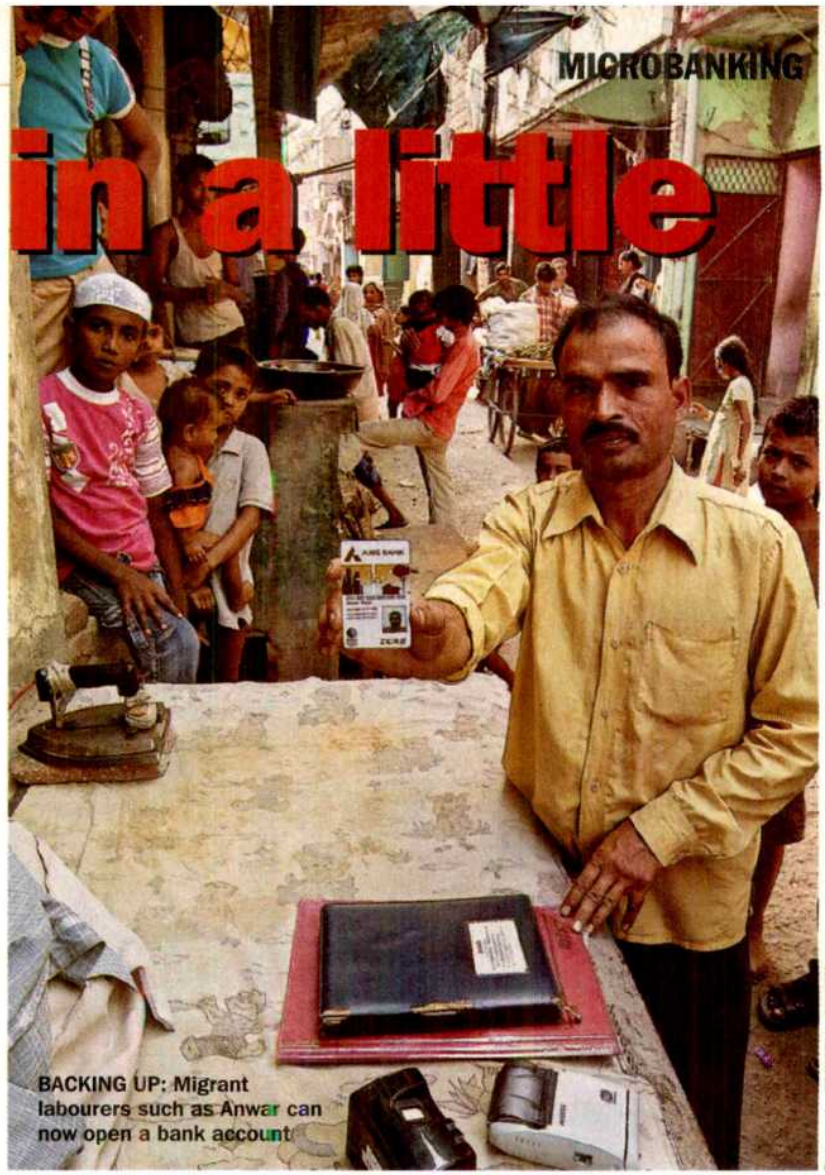

BACKING UP: Migrant labourers such as Anwar can now open a bank account

Photographs: TRIBHUWAN SHARMA

Technology enables migrant labourers with micro savings to benefit from the big picture, and contribute to it

THIRTY seven-year-old Anwar, a migrant from Aligarh, has been making his living ironing clothes in the New Seemapur slum in East Delhi for the past 10 years. Last Thursday, the father of three, who earns about Rs 200-300 a week, made his first deposit in a bank account. "I have more responsibilities now because I have children," he says. "I need to keep my money safe for them. This savings account is a good way to make sure they will be taken care of."

Anwar is one of the nearly 1,500 urban labourers who have joined a technology-assisted financial inclusion programme started by Basix, which describes itself as a livelihood promotion institution. The project, in collaboration with Axis Bank, provides basic, no-frills banking services to poor migrant workers. Basix and Axis Bank have also started a pilot remittance project to help migrant labourers in East Delhi transfer money quickly to dependents in Muzaffarpur in Bihar.

Hundreds of thousands of people make their way into India's over-burdened metropolises every day to find a livelihood for themselves and the large families they leave behind in their native villages, which mostly remain outbacks of under-development. A majority of these desperate hopefuls manage to find only subsistence employment that consigns them to living out an urban nightmare. They have no access to services and amenities. These remain reserved only for those fortunate enough to have their existence documented through photo identity papers, ration cards, salary slips, bank statements or home ownership records. If the country's biggest companies and banks are now reaching out to the acutely impoverished, they are doing so after decades of neglect, and thanks in most part to management gurus such as C.K. Prahalad, who divined a fortune at the bottom of the pyramid.

No Frills Please

Basix and Axis Bank are conducting their experiment in financial inclusion in the eastern part of Delhi, home to the capital's largest slum. The area is populated largely with immigrant workers from remote hamlets in Bihar and Uttar Pradesh. "Most of the people who have enrolled for the pilot project are those who make a living as rag pickers, rickshaw pullers, house maids and auto rickshaw drivers," says Preeti Sahai, who spearheads Basix's programmes in Delhi. "These people earn very little and, until now, did not have a way to save."

The initiative uses the 'business correspondent model' that the Reserve Bank of India created a couple of years ago to make banking services reach the lowest strata of society. Indian Grameen Services, a not-for-profit arm of Basix, acts as a business correspondent for Axis Bank, which essentially means it becomes an agent for the bank to source business. Basix helps workers in Delhi open no-frills, zero-balance accounts to begin saving and sending money home.

Photographs as well as biometric

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STEP 1

A customer opens an account in Delhi with Basix. He wants to transfer money to a kin in Muzaffarpur. He gets a smart card that can store only five preset account numbers. He can transfer money only to these five numbers.

STEP 2

The money is transferred from the customer's savings account. Or he can give cash to the Basix field agent. The agent confirms the customer's ID and transfers the amount using a biometric scanner and a cellphone-based smart card scanner.

Bit by bit...

An experiment in financial services that caters to people with very small incomes

STEP 3

Once the confirmation process is complete, a coded SMS is sent to the bank's server. The bank's server then electronically transfers the money from the customer's Delhi account to the receiver's account in Muzaffarpur.

STEP 4

After the money is transferred, a Basix agent in Muzaffarpur delivers the specified amount to the customer's relative. Physical cash delivery may take up to two days.

signatures (fingerprints) are used as primary identification for customers. Basix's field agents carry a laptop, a fingerprint scanner and a digital camera to record these details. The new client is then issued a smart card that stores the account number, bank balance and biometric information. Usually, the prints of the index finger, ring finger and thumb are collected. But occasionally, even that is difficult. As labourers, they have worn out palms and fingers; some even have cuts that distort the print. "In such extreme cases, say, about two or three out of 1,500, we have actually used their toe-prints,"' says Sahai.

Basix field staff physically verify addresses and job details of prospective customers. The staff then fill out the account opening forms for the bank. Basix agents keep making rounds of their respective localities so that customers can meet them to transact business. There is also a local branch office. The field agents carry three devices — a mobile phone and a mini receipt printer. These devices have smart-card sensors and a smart-card scanner with a biometric fingerprint reader to authenticate the ownership of a card as the person who wishes to make the transaction.

Easy Does It

The accounts opened in Delhi can be linked with up to five dependents' accounts in Muzaffarpur, says Raja Mukherjee, assistant vice-president for retail at Axis Bank, who monitors the pilot at the bank's end. Mukherjee says the accounts are linked to Axis' core banking platform through a software programme developed by Mumbai-based technology company A Little World (ALW). Dependents are not required to go to an Axis branch to withdraw money. If an amount is remitted from Delhi, Basix's field staff reaches the recipient's home with a fingerprint reader. A text message is then sent to the bank's server, which authorises the transaction, not unlike the way a credit card transaction is authorised by banks. Once this is done, Basix staff hand over the money to the beneficiary.

This system of transferring money also works out cheaper for senders. Basix charges 2 per cent of the amount sent as transfer fee. Informal couriers, who rarely guarantee safe transmission of money, charge between 5 and 10 per cent. Another popular option, the postal money order, costs 5 per cent of sum sent, besides taking a long time to reach.

Axis and Basix hope to ramp up the project to include thousands of people, products and areas. "The prospects of expanding it [the project] are huge," says Axis' Mukherjee. "But we have to first check the robustness of the technology." Sahai says Basix intends to introduce products such as loans and mutual funds soon. "We will graduate to investment plans in 8-9 months," she says. Basix is already talking to some mutual funds to structure products that will take small investments. She hopes to sell systematic investment plans to these low-income groups soon.

The customers appear ready. Sixty-year-old Gayatri migrated from a village near Aligarh when she was just six. She earns roughly Rs 60 per day selling bread *pakodas*, not far from where Anwar irons clothes. Her husband passed away four months ago and she is eligible for a widow's pension. She wants to deposit that money in her new savings account, along with the Rs 10 she saves every day. "If I can save after meeting my needs, that will be good for me," says Gayatri. "I also feel this is a good way of keeping my money safe for my children when I die." Even small savings come with big needs. ■

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One easy step to better agility, flexibility, and business outcomes – Virtualisation.

Virtualisation is what technology experts perceive as the biggest thing in IT at the moment. And with it touching an all-time high in 2006, no wonder it is virtually impossible to avoid the hype surrounding virtualisation. Though at times it almost sounds like an oversell, the truth lies in the fact that the word can be applied to an immensely broad range of technologies – virtual machines, virtual memory, virtual networks, virtual storage, operating system virtualisation and a lot more. What's more, terms like utility computing and grid computing involve computing strategies that aim to virtualise resources.

Much of the clamour surrounding virtualisation is arising because advances like multi-core processors and 64-bit operating systems are creating a fundamental change in the x86 server environment. With virtualisation extending to all parts of the IT infrastructure and beyond, there is some amount of ubiquity, creating confusion in terms of what virtualisation exactly means, the technologies it refers to, and the areas it applies to best.

Defining the 'V' word

According to the general definition, virtualisation refers to abstracting, or masking, a physical resource to make it appear different logically than it is physically.

Typically, any form of virtualisation has two characteristics:

- It abstracts the physical resource and enables the resource to be pooled and/or shared.
- It creates a management layer or control point for the virtualised resource.

And virtualisation enables

- Increase in resource utilisation, availability and productivity
- Consolidation of projects
- Reduced costs for IT resources, in terms of the infrastructure (power and cooling)
- Decoupling the tight linkage between application and infrastructure
- Increased flexibility to change

IT vendors have been using virtualisation as a silver-bullet to solve many pressing IT problems:

- **Server sprawl problem**
- **Storage issues**
- **Streamlining network management**
- **Smoothening software testing and deployment**

And the best part is – this is not hyped. Virtualisation technologies are already embedded into the IT infrastructure of leading Asia-Pacific enterprises, as well as many smaller businesses, and this trend is all set to continue. While much of the current virtualisation buzz concerns servers, resources can also be virtualised within the network, software and storage layers.

HP's virtualisation portfolio

Software virtualisation

- The platform software layers (applications and operating systems) provide virtualised solutions in data centres.
- In virtual machines, the software abstracts a server's physical resources (processors, memory and I/O) to share the hardware across multiple instances of the operating system.
- Virtualisation also helps to share and automatically distribute the supply of resources and can assist companies to consolidate and make greater use of existing infrastructure.

- Through tight integration with partitioning, high availability and utility pricing, companies are able to maintain service levels in the event of downtime and pay based on utilisation.

VMware, with their ESX Server and VMware Server offerings, is the undisputed market leader in virtualising x86 servers, but Microsoft Virtual Server, Xensource and Virtual Iron also show signs of entering this competitive market. HP Integrity Virtual Machines (VM) is a key component of the HP Virtual Server Environment for HP Integrity Servers. With it, up to 20 virtual machines can run on a single processor core, simultaneously.

While the benefits are inevitable, virtualisation also creates its own challenges. One major issue is that of increasing management complexity, which if left unaddressed, can lead to virtual machine sprawl and uncontrolled flexibility. And that totally defeats the objectives of virtualisation. To ensure control in this complex system environment, solid tools are required. In case of HP ProLiant Servers, centralised management of resources for virtual machines can be gained with HP Systems Insight Manager (HP SIM) together with the HP ProLiant Essentials Virtual Machine Management (VMM) Pack. This provides a single management and control point for virtual machines established, which is Virtual Machine agnostic (or VMnostic). VMM fully integrates with the HP SIM allowing the management of both physical and virtual resources from a consistent user interface.

So virtual machines are automatically associated to their physical host and identify how resources are being utilised by both the virtual and physical machine. Similar tools exist for HP Integrity Servers and also plug into HP SIM like Virtualisation Manager which is an easy-to-use configuration manager to visualise and configure physical and virtual servers, Capacity Advisor for ongoing capacity planning and simulating of application workloads, and Global Workload Manager which allocates resources based on business priorities.

Network virtualisation

- In Virtual Local Area Networks (VLANs), virtualisation can occur in the network layers.
- Ethernet VLANs allow a network administrator to define logical groups of network-attached end devices.
- The administrator can provide separate virtual LANs that logically isolate one group of nodes from another.
- A VLAN can define virtual domains even if they are physically located on different Ethernet segments.
- The virtual segments allow multiple physical segments to behave as if they were a single network domain.
- Virtual Connect for the HP BladeSystem c-Class is a wire-once solution that virtualises server connections with the LAN and storage area network (SAN).

Storage virtualisation

- It gathers physical storage resources into a unified pool.
- It reduces the tedious, time-consuming aspects of managing storage devices.
- It helps storage administrators to perform backup, archiving, and recovery of tasks more easily.

With storage vendors differing in their virtualisation strategies, it is important to consider the approach and strategy of each. One aspect to be wary of in single vendor SAN environments is that scaling out can mean facing vendor lock-in. In heterogeneous or multi-vendor SAN environments, competing standards and incompatible technologies can create challenges, particularly when, data needs to be migrated between an aging system and a new one. Because of the usefulness of inter-system data migration, HP released the HP StorageWorks 200 Storage Virtualisation System (SVS200) in 2006. Similar capabilities, integrated with traditional storage-based virtualisation, are found in the HP StorageWorks XP10000 and XP12000 Disk Arrays.

In both cases, heterogeneous and multi-vendor storage systems are unified into a single pool. Application-usable volumes are carved from the pool, and administrators only need to focus on the SVS200 or XP array, rather than the individual systems comprising the pool.

The future of virtualisation

There's no doubt about the fact that virtualisation is a true winner. And it is only evident that it will continue to be in the driving seat, because virtualisation has so much to offer to data centres, not only in terms of cost reduction, but also agility. Industry experts are of the view that the industry is now in the third wave of virtualisation. The first generation concerned single-server partitioning. The second generation provided a single point of management across multiple physical and virtual machines. And the third generation could potentially lead to changes in everything from intruder detection to firewall applications, patch management, the provision of far more sophisticated testing developments.

Making way for the virtualisation boom

Between the 15% of operating systems deployed on virtual machines in 2005 and the current projection of 40% by IDC, there is a sharp upward curve. If virtual machines reach this projected figure, virtualisation will need to undergo significant pick-up in the next two years. And if this eventuates, a key change in mindset will need to occur. For virtualisation to achieve its maximum efficiency, people will need to learn to let go of the physical. And once it happens, virtualisation will boom.

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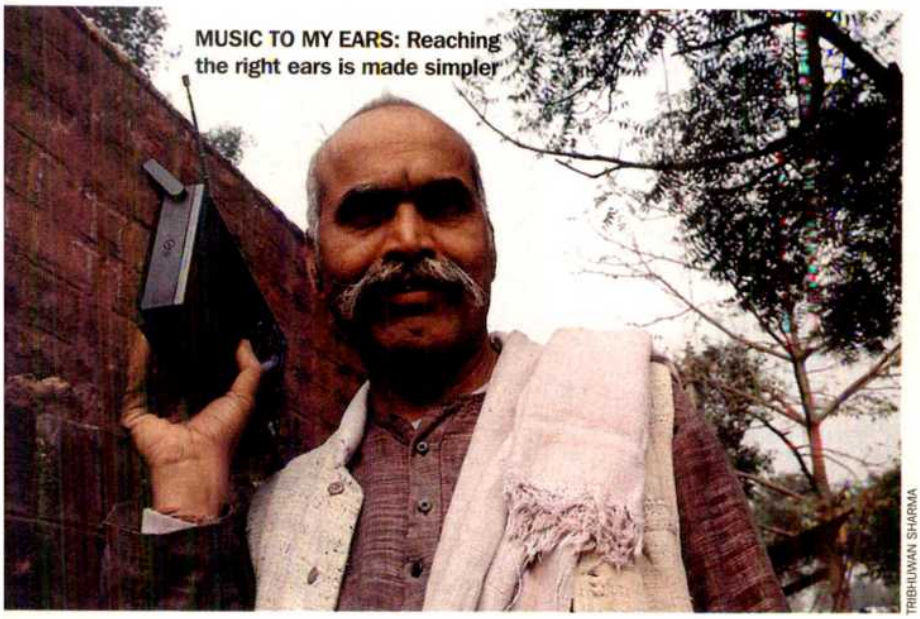


MUSIC TO MY EARS: Reaching the right ears is made simpler

TRIBHUWAN SHARMA

New radio listenership data provides interesting insights into listener preferences

GURBIR SINGH

FM radio has established its enormous reach, but who knows who is listening to which of the 150 radio stations on air? So, when TAM Media's Radio Audience Measurement (RAM) released data on weekly listenership trends for the first time last week, there was a scramble of claims and counter claims. After all, this gave advertisers a common currency to evaluate the radio station they wished to advertise on. According to the findings, Radio Mirchi of the Times Group topped the list of all-India networks. City-wise it was Radio Mirchi on top in Delhi, Reliance ADAG's 'Big FM' in Bangalore, while in Mumbai, Red FM emerged as No.1.

These rankings are based on the Target Audience Rating Points (TARPs) earned by the respective radio stations. The radio rating points are based on a combination of reach of the radio channel and time spent on specific programmes. TAM Media's audience comprise those of 12 years and above who owned an FM receiving device. RAM will initially track Mumbai, Delhi and Bangalore.

As was expected, various radio networks have made a variety of claims based on how they have sliced the data in their favour. For instance, Radio City 91.1FM has claimed it is No.1 in listenership in Mumbai and was a close second in Delhi across SEC AB categories in the 25-44 year age group.

"We have deliberately avoided releasing the Top 10 listings for radio stations as it leads to a flurry of claims based on the way you dissect the data," says L.V. Krishnan, CEO of TAM Media. More than the rankings, the new weekly data may bring it more advertising revenues for the radio industry. "With the new data, media plans can be evolved and advertisers urged to invest in radio," says Apurva Purohit, CEO of Radio City.

Beyond the rankings of different radio networks, the RAM data has interesting pointers. For instance, Bangalore clocked the highest average time spent listening — at 1,092 minutes per week. This works out to as much as 10 per cent of the total time available in a week. Mumbai and Delhi followed at 845 and 796 minutes, respectively, per week. A reach of over 90 per cent was witnessed, with Bangalore and Mumbai almost touching 100 per cent coverage.

"The high reach and time spent on radio make it comparable to television," says Krishnan.

Considering its reach (and another 150 channels are set to be added this year), FM Radio attracts very little advertising revenue. Currently, radio accounts for just 3 per cent of the ad pie or Rs 500 crore annually. But considering it is logging a 58 per cent growth rate, it is the fastest growing medium. The radio network currently spreads over 40 cities, all competing for a piece of this action. The largest national players include Reliance's Big FM with 44 stations, Red and Sun together at 41, Radio Mirchi with 32 and Radio City with 20 stations.

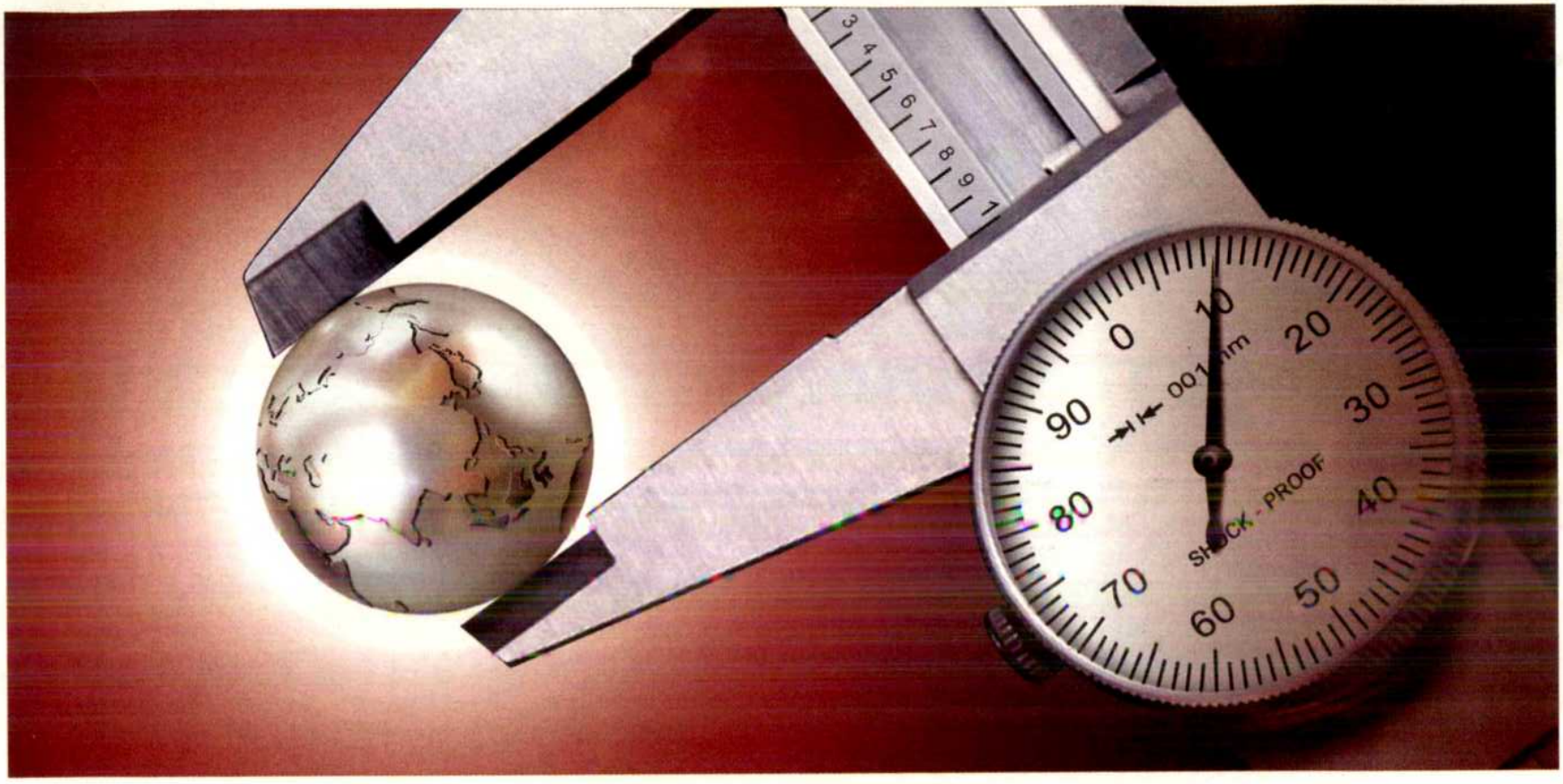
The radio data also blows up some entrenched myths. Contrary to popular perception that car listening dominates, about 85 per cent of radio listening is at homes. The data also reveals the cultural legacy of these different cities. For instance, Mumbaikars begin to listen to the Radio at 7.30 a.m. and listenership peaks around 9.30 a.m. as people ready themselves to get to work. Delhi, on the other hand, has two peaks — people tune in large numbers both between 8 a.m. and 10 a.m. as well as around 8 p.m. Bangalore is obviously a city that gets up early as radio listening begins at 6 a.m. and peaks at 8.30 a.m.

With all this data, a media segment starved of money will hopefully see the greenbacks. ■

Average weekly reach & time spent

	Mumbai	Delhi	Bangalore
Reach	99.5	96.6	99.6
Time spent listening (mins)	845	796	1,092

Reach figures in per cent TG: All 12+ Time period Delhi & Mumbai weeks 38-42, Bangalore weeks 39-41 2007 Source: RAM



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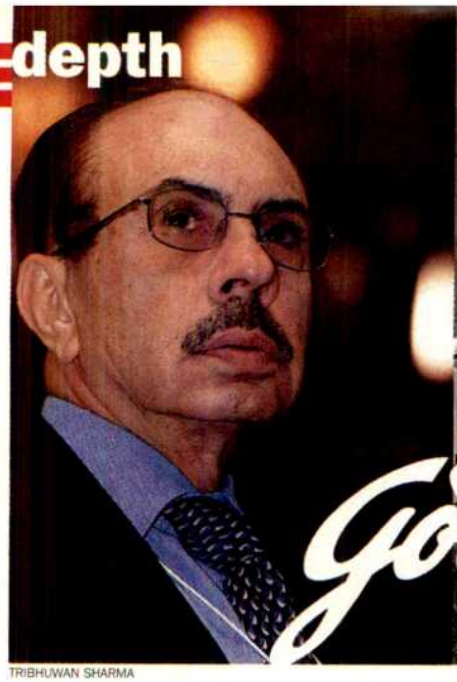
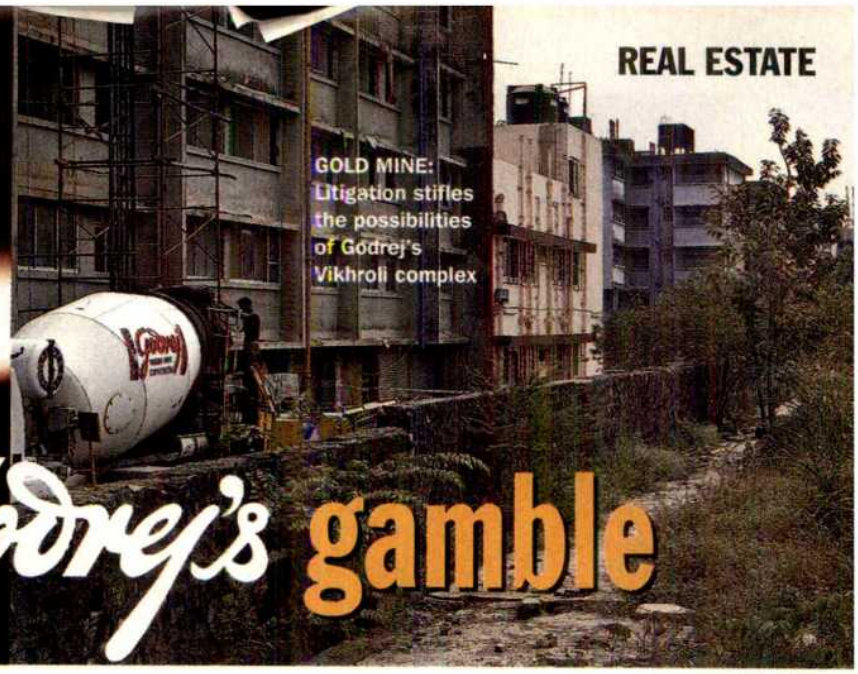


TRIBHUWAN SHARMA



GOLD MINE: Litigation stifles the possibilities of Godrej's Vikhroli complex

SANJIT KUNDU

Godrej's gamble

The House of Godrej charts a new direction as Adi Godrej builds, brick by brick

GURBIR SINGH

IT'S mainly known for its steel almirahs, soaps and hair dyes, but if Adi Godrej has his way, the Rs 5,500-crore Godrej Group will shortly morph into a property developer. Chairman Adi Godrej says that the group has a series of Memorandum of Understanding between its realty subsidiary, Godrej Properties, and other group companies such as Godrej Industries, Godrej & Boyce and Godrej Agrovet to open up about 100 sites for development, including closed factories or surplus land.

"Realty contributed 7 per cent to the group's profit last year, and is expected to account for 11 per cent this year," says Godrej. "Five years down the line, property will give us 30 per cent." Currently, consumer goods contribute 30 per cent of the group's revenue, and consumer durables, 20 per cent.

The net profit for the group in the last financial year, including the private, closely-held companies, is estimated at Rs 700 crore-750 crore. The listed entities alone had a net profit of Rs 250 crore.

The reason for focusing on property development is not difficult to see. The Godrej group companies and family-owned companies own vast tracts of land. These assets are under-exploited even where they house functional manufacturing units. A case in point is Godrej Industries' Vikhroli estate in Mumbai, which has the potential of releasing as much as 2,000 acres of prime realty.

Among the group's recent initiatives is the decision to exploit land near Bangalore — 110 acres of the poultry research division of Godrej Agrovet. Godrej Properties will develop a residential township of 12 million sq. ft while the poultry unit will be relocated 75 km from the current site. 'As Bangalore has grown in concentric circles, sustaining a research and lab unit close to urban settlements has become a security hassle," says Godrej.

Similarly, Godrej Properties has signed a deal with the engineering company Lawkim, a Godrej family-owned company, to partly develop the latter's four-acre complex in Thane. The arrangement with Lawkim gives Godrej Properties an immediate potential of developing nearly 300,000 sq. ft into an IT park since the property is located centrally on the Ghodbunder Road, connecting Thane and Borivali.

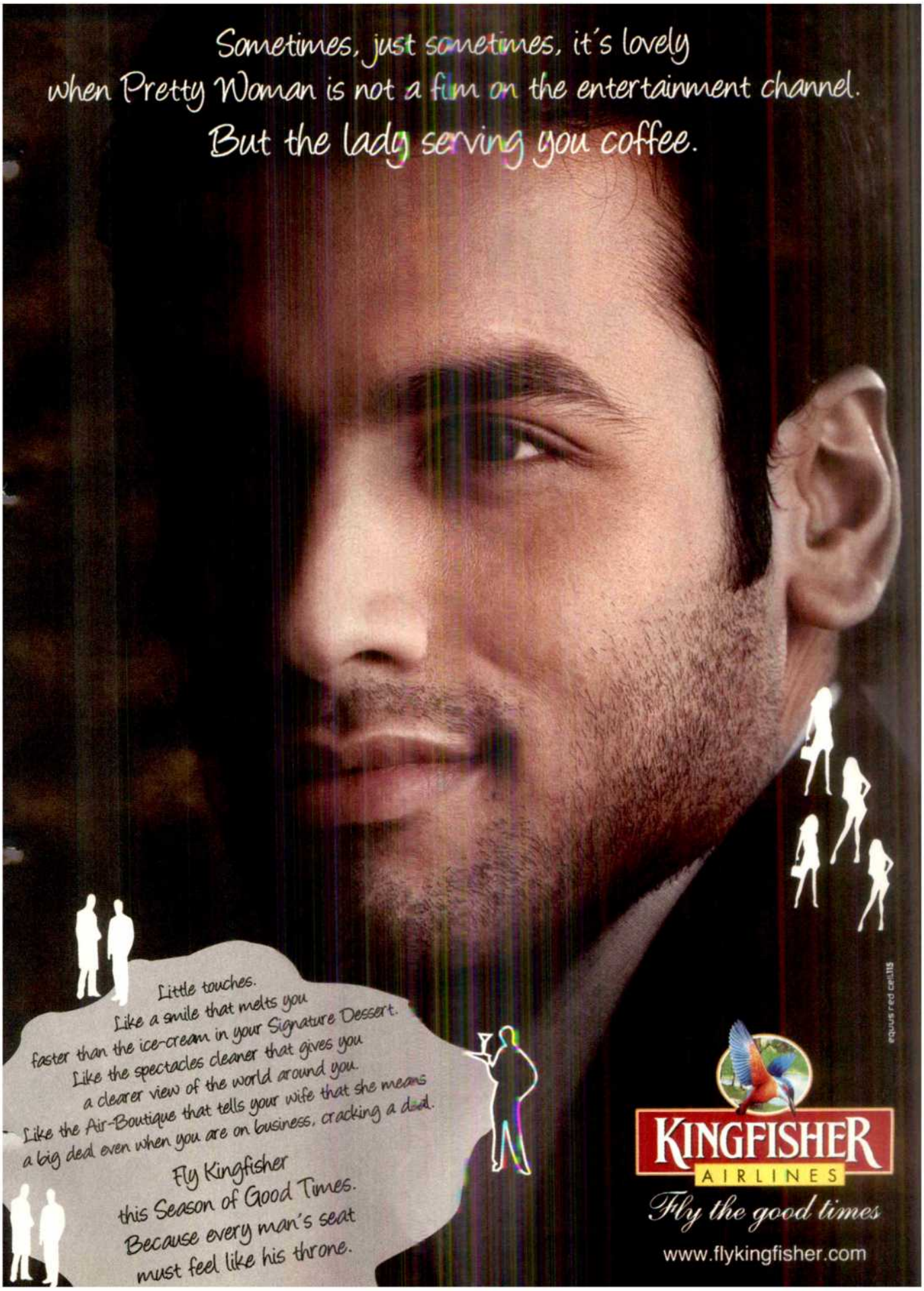
Godrej's goldmine in Mumbai, the Vikhroli Complex in the eastern suburbs, is currently in a state of suspended animation due to the expected repeal of the Urban Land Ceiling Act. The chairman declined to speak on the matter.

Since most of the Vikhroli land is owned by Godrej Industries and Godrej & Boyce, the group will develop the Vikhroli properties through the familiar joint ventures with the realty arm Godrej Properties. The future of another 1,000 acres at Vikhroli is uncertain with the litigation for the ownership title between the Maharashtra government and Godrej yet to be settled.

Beyond exploiting its own land assets, the group has a land acquisition strategy. "Using a mix of land acquisition and financial partnerships, we have 25 million sq. ft of development in the pipeline," says Godrej Properties CEO Milind Korde. The company is also contemplating an intial public offering (IPO) in the last quarter of 2007-08 to finance its heightened construction ambitions.

Recent property acquisitions of the company include an old textile mill located on Barrackpur Trunk Road, just outside Kolkata, for Rs 100 crore. The 27-acre property near Sodepur was acquired after buying the company Happy Highrises, and opens up the potential of developing 3.5 million sq. ft of residential and commercial real estate. "We are currently developing two IT parks, totalling nearly 3 million sq. ft., in Salt Lake," says Korde. "This acquisition will give us the opportunity to enter Kolkata's residential real estate market."

Similarly, Godrej Properties acquired 34 acres of land at Patancheruvu in Hyderabad from Rallis India, a Tata Group company, and intends to develop 6 million sq. ft of IT space, which may be developed as an IT SEZ. ■


Sometimes, just sometimes, it's lovely
when Pretty Woman is not a film on the entertainment channel.
But the lady serving you coffee.
Little touches.
Like a smile that melts you
faster than the ice-cream in your Signature Dessert.
Like the spectacles cleaner that gives you
a clearer view of the world around you.
Like the Air-Boutique that tells your wife that she means
a big deal even when you are on business, cracking a deal.
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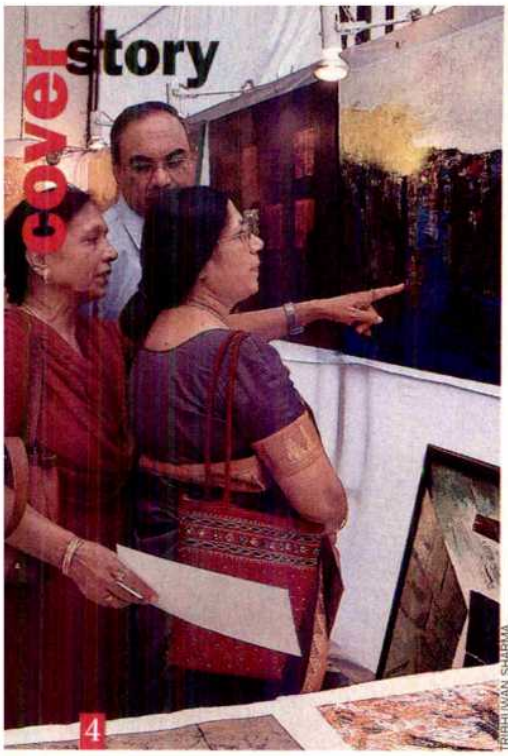
TRIBHUWAN SHARMA

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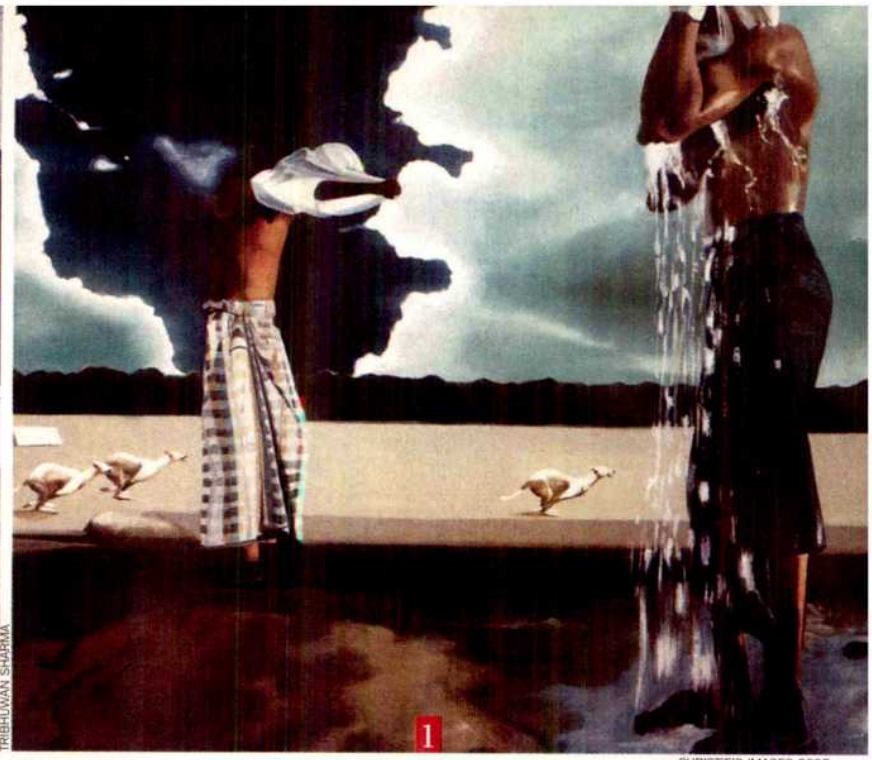
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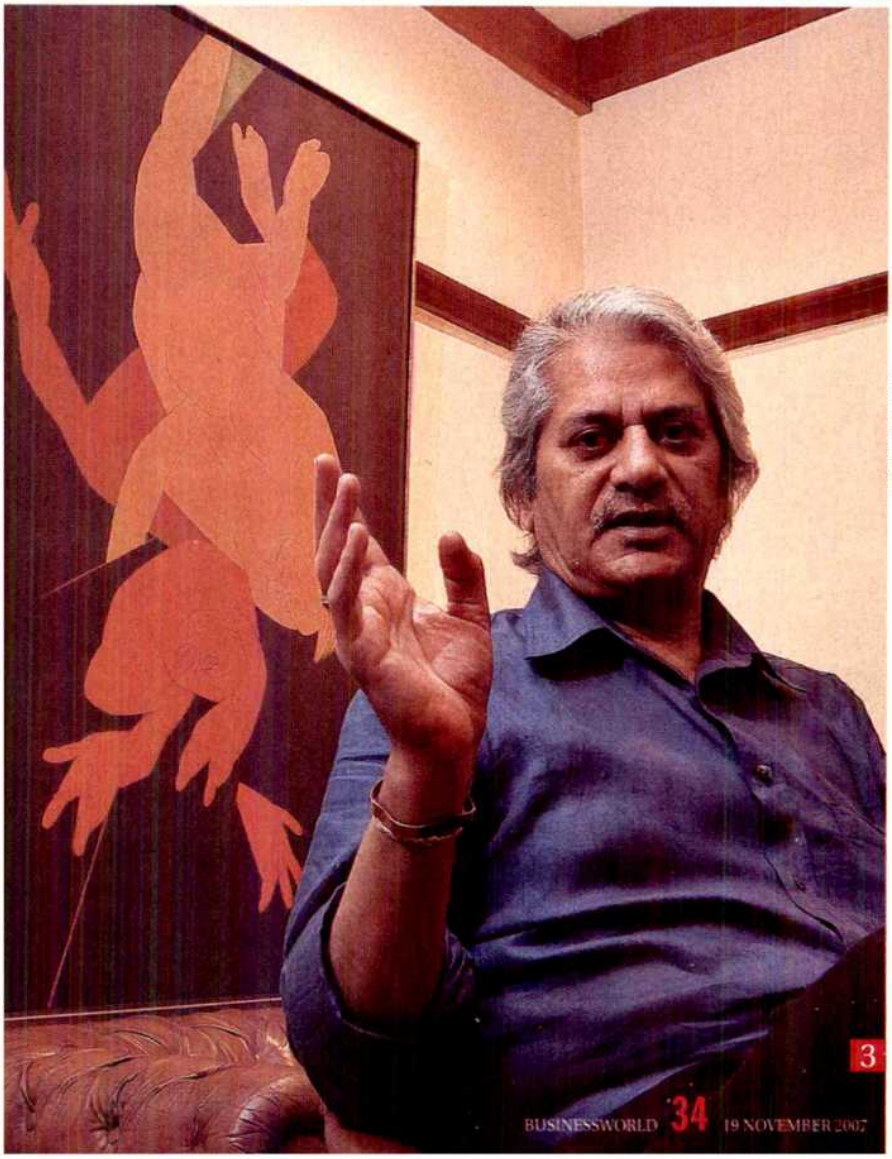
CHRISTIE'S IMAGES 2007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TRIBHUWAN SHARMA

EXECUTIVE SUMMARY

- From being purely cultural, Indian art has acquired the hues and tones of 'business'
- The expansion of the market is driven by new buyers in their 20s and 30s
- Although Indian art comprises just 1 per cent of the global art business, it has huge growth potential

1&2. Paintings such as F.N. Souza's Untitled (Nude) and Shibu Natesan's Montage I are making waves in international art markets
3. Gallerists such as Arun Vadehra believe that the Indian art market has tremendous potential
4. Art collection is no longer restricted to the elite few. More and more people from a cross section of society are joining the fray

Vintage
The Pioneers
The Second Generation
The Rising Stars

Source: *BW* research

The business of ART

CHRISTIE'S IMAGES 2007

A price dip has brought order to the chaotic Indian art market, and opened it up for greater participation by new and discerning players. By Sumati Nagrath

VALUE FOR MONEY

Artists	Average value 2000	Average value 2007	Top price
M.F. Husain Tyeb Mehta S.H. Raza Ram Kumar F.N. Souza V.S. Gaitonde	$6,000-10,000	$200,000-300,000	$1.59 million for Tyeb Mehta's *Mahisasura* at Christie's Sept. 2005 auction
Atul Dodiya Rameshwar Broota Ganesh Pyne Arpita Singh Jogen Chowdhury Subodh Gupta	$2,000-6,000	$50,000-100,000	$601,000 for Atul Dodiya's *Father* at Sotheby's Sept. 2007 auction
T.V. Santhosh Shibu Natesan Chintan Upadhyay Jitish Kallat A. Balasubramanium Jagannath Panda	$400-1,000	$20,000-50,000	$529,000 for Chintan Upadhyay's *New Indians* at Sotheby's Sept. 2007 auction

"*SLI to bikta nahin, fake kya bikega,*" (When originals don't sell, how can fakes sell?) was how renowned painter Ram Kumar responded to fellow artist M.F. Husain's observation almost a decade ago that fakes of their works had entered the market. The exchange between the two top artists — narrated by Arun Vadehra of the Delhi-based Vadehra Art Gallery — seems touchingly self derisory now. Those were the days when Indian art was considered primitive and existed on the fringes of the western art world. Today, it is near impossible to get one's hands on an original first class work by any of the top artists. Ram Kumar's canvases, which would fetch around Rs 60,000 10 years ago could now be worth about Rs 2 crore, whereas Husain, whose major works sold for around Rs 1,00,000 till a few years ago, now commands Rs 3 crore for a canvas.

Subject to the vagaries of the market, Indian art has finally stepped outside the realm of being purely 'cultural' and has acquired the hues and tones of a 'business' where terms such as asset-class, stock appreciation and market value sit, albeit not comfortably, alongside expressions such as poignant, melancholic and angry brush-strokes. Having grown by an estimated 485 per cent in the past decade, the Indian art mart is said to be worth between $250 million ((Rs 1,000 crore) and $350 million (Rs 1,400 crore) today, and Vadehra says it is poised to grow by 30 per cent a year in the foreseeable future.

The optimism stems from the fact that despite its significant size, the market comprises only 1 per cent of the global art business. In fact, the value of the entire contemporary Indian art market just about equals that of the world's two most

expensive contemporary art works — Jackson Pollock's *No. 5 1948* and Gustav Klimt's *Portrait of Adele Block Bauer I*, which in 2006 sold for $140 million (Rs 630 crore then) and $135 million (Rs 607 crore then), respectively. Clearly, the Indian market has huge growth potential.

However, there has been a general slowdown in the prices of Indian art for the past nine months. The slowdown, or 'correction', first spotted at Sotheby's May auction — where more than 38 works were withdrawn and many works by some big names were either undersold or remained unsold — came about 18 months after Indian art reached dizzying price highs in domestic and global markets. The prices for modern and contemporary Indian art peaked in September 2005 when Christie's sold Tyeb Mehta's *Mahisasura* for Rs 7 crore, and continued to stay roughly around that level all the way till March 2006 when Amrita Shergil's *The Village Scene* fetched Rs 6.9 crore. Another eight works were sold for between Rs 1 crore and Rs 5 crore at an Osian's auction.

Although there were no more record-breaking sales, prices remained fairly steady till early this year. It was only in May that the ET-Osian's Art Index, the art world's only financial barometer based on the transactions of art works of India's 51 leading artists, recorded a 30 per cent fall after having posted 100 per cent returns for the previous three years. Internationally, Christie's May auction fetched a mere $6 million (Rs 24 crore) for contemporary Indian art, while Sotheby's managed to raise just $3 million (Rs 13 crore) for the same category.

The domestic and international fall auctions of modern and contemporary Indian artists posted results which, though nowhere close to the highs of 2005-06, are an improvement on the Spring auctions — the September auctions of Christie's and Sotheby's netted a total of $16.4 million (Rs 66 crore), while Osian's August auction managed Rs 16.5 crore; in September 2006, for roughly the same size and quality of lots, the figure for Christie's alone stood at $17.8 million (Rs 71 crore) and for Osian's March 2006 sale, close to Rs 42 crore. It would seem that the Indian art market is finally stabilising.

Clearly, today the prices are not increasing in the multiples that they have in the past. But those in the know are neither too surprised nor too perturbed. When the market boomed two years ago, there were not enough structures in place to support it. Fly-by-night galleries, dubious dealers, opportunistic artists and other hucksters rushed in to fill the vacuum. The general feeling is that this, coupled with the hype of the works of certain artists, prompted the decline in art prices.

"We are witnessing a transition in buying trends as buyers mature into collectors," says Savita Apte, a London-based Indian art historian. "There is greater awareness of quality, especially among the works of the more prolific artists. This in part accounts for what the business side says is 'a correction in the market'." Many feel that had the trend of rocketing prices continued, contemporary Indian art could quite easily have priced itself out of the global market. While this market correction has brought to the fore the changing dynamics of this subjective market, it does not seem to have deterred buyers or sellers from entering the fray. Instead, it has made them more discerning. Depending on the size of their purses, buyers are choosing one of many options. Instead of acquiring one expensive work by a well-known name, they are buying multiple works of lesser-known artists or are picking up lithographs and serigraphs of established artists. These works are available for Rs 10,000-5 lakh and have the potential to appreciate over a period of time. Such democratisation is not only making art accessible to the smaller buyer, it is also giving a leg up to upcoming artists.

Of Commerce And Aesthetics

"*When a woman buys a beautiful piece of jewellery, she buys it for the pleasure of wearing and owning it. Though she ensures that she is getting her money's worth and is not overpaying, it is not with the agenda of reselling the piece. That is how a collector buys art*," explains Rakhi Sarkar, director and curator of Centre of International Modern Art, Kolkata. (Rakhi Sarkar is part of the Sarkar family that owns ABP, *BW's* parent company.)

With everyone wanting to own a part of what was, at that point in time, becoming India's most successful cultural symbol (after Bollywood, of course!), this traditional approach to collecting art was forgotten for a while. Partially coinciding with India's globalisation story, Indian art, says Yamini Mehta, head of Christie's Modern and Contemporary Indian Art division, "saw a steady rise from about 1995-2002". Buyers were largely non-resident Indians who, seeing that it was now 'cool' to be Indian, proclaimed their Indianness by buying bits of

BLOOMBERG

PRIZED POSSESSIONS

LAST month, art collector Anupam Poddar figured at No 100 in the annual *ArtReview 100*, a global list of the most powerful people in the art world. One of only three Indians to feature on the list — the other two are artist Subodh Gupta at No. 85 and Osian's Neville Tuli at No.99 — Poddar, who owns Devi Garh resort near Udaipur, is said to be one of the biggest and most significant collectors in the country.

Other well-known collectors in India include HCL Technologies' Shiv Nadar, Ranbaxy's Malvinder Singh, Jerry Rao, chairman of MphasiS BFL, the Times Group, and the RPG Group. "There are a number of paintings in the private collections of some of the country's leading collectors, which, if they come into the market will fetch prices upwards of $5 million each," says Arun Vadehra of Delhi's Vadehra Art Gallery.

Meanwhile, two of the biggest collections of contemporary Indian art are ironically outside India. These are the 1,000-plus works owned by Japanese food processing tycoon Masanori Fukuoka and the nearly 1,200 works collected by late Texan billionaire Chester Herwitz. Both Fukuoka's and Herwitz's collections are in museums. Unlike them, the Indian private art collections remain just that — private. This could soon change. Poddar, whose extensive collection was started by his mother Lekha in the 1980s, is set to open the Devi Art Foundation next year. ■

One of India's leading art collectors is Shiv Nadar, the founder of HCL Technologes

SANJAY SAKARIA

their 'heritage', including contemporary Indian art.

With international spotlights on the Indian art market, resident Indians — in the self-perpetuating cycle of appreciating cultural traditions and products endorsed by the West — decided that they too wanted their share. With so many buyers in the fray — everyone wanted to own anything, from canvases to scraps of paper with a signature of any of the masters — the market was suddenly skewed in favour of the artists (or to put it crudely, the sellers). Prices for art works went awry. To plug the gap between demand and supply, some artists literally turned into factories and began to churn out work that just wasn't up to the mark, says 34-year-old Aparna Kakrania, who started collecting art about five years ago.

"There were average artists who had priced their works at obnoxious prices, but the market has shown that people cannot get away with mediocre work," says Kakrania, who runs her own graphic design company, Design Dimension, in Delhi. "With art becoming a commodity and being traded in the market like property, there has been a loss of 'art etiquette'." But this, she says, is not necessarily a bad thing. "Today, a lot more artists are getting to show their work, and students at art schools are pushing themselves more knowing they can earn a livelihood by becoming professional artists," says Kakrania sitting in her office, where the walls are adorned with works of upcoming artists that she has chosen to invest in.

It is collectors such as Kakrania who are driving the growth of the domestic art market. Based on rough estimates, the number of buyers seems to have increased by nearly 35 per cent in the past few years. Says Vadehra, "This increase primarily consists of young upwardly mobile individuals in their late 20s and 30s, a number of whom are second-generation buyers." But a significant number comprises self-made entrepreneurs and young professionals with fancy bonuses who, while buying something that is aesthetically pleasing, also want to make sure that they are making a sound investment.

The tastes of these younger buyers are more eclectic and they are acquiring art across various genres and categories. Unable to afford the limited and expensive works of leading

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Actual image of Jaypee Greens, Greater Noida.

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Artistic impression of Jaypee Greens, Noida.

The layout and design are indicative and tentative and are subject to variations and modifications.

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WHAT TO WATCH OUT FOR WHEN BUYING A PAINTING

1. The work should have an authentic signature
2. The medium should be part of the artist's repertoire
3. The style and strokes should be uniform
4. Fakes are often created by reversing the direction of certain subjects that appear in the original
5. Fakes can also be created by making a composite of different elements from various paintings of the same artist
6. Always ask for a provenance certificate
7. Try and get the work authenticated by living artists where possible
8. Familiarise yourself with the artist's work, especially from the same period

Original

Fake

This image of Jamini Roy's Untitled (Cows) has been manipulated

artists, they are buying works of upcoming artists that cost between Rs 50,000 and Rs 5,00,000. "There is a huge leap of faith required when you buy an unknown name," says Christie's Mehta. But there is a fair possibility that the good works of the emerging artists will appreciate far more in value over a period of time compared to the masters', who are already fully valued and, in some cases, could even be over priced.

Given that it will retain its value, acquiring a well known work of a master artist might be the safest bet. However, it is not a purchase option for the majority. Acquiring and holding on to works that are undervalued is riskier but more rewarding. In an art market that has changed so much, what is needed, says well known art critic Ella Datta, "is for trained advisors such as curators, critics, art college principals and heads of departments and gallery owners to say 'hang on', there are other very talented artists beyond the 20 masters who are also worth looking at and then guide the public in their direction."

This contemporary art scene that is as savvy, brash and commercially oriented as it is talented, seems a world apart from the times when Biocon's Kiran Mazumdar-Shaw began collecting in 1982. "Buying art used to be quite inexpensive, but now the international auction prices for contemporary Indian art has rubbed off on the local markets, too," she says. "Basically, art has now become an investment."

Kapil Chopra, 33, general manager of Gurgaon's Trident Hilton, bought his first piece of art, a charcoal on paper by Jogen Chowdhury, as an investment option. A year down the line, he's hooked. "I've always dabbled in stockmarkets and when someone suggested that I try investing in art, I gave it a go," he says. Now he finds himself visiting galleries, speaking to artists, following their works — all for the love of it. "The Jogen Chowdhury hangs in my office. I don't think I'll ever sell it, but I do keep track of its appreciating value," says Chopra.

But how does one value a piece of art? Determining the future value of a work can be notoriously difficult. Two paintings of the same artist from the same period with an almost similar theme, painted in the same technique with identical textures and of the same size could quite easily command different prices. To gain an intimate knowledge of an artist and determine what value his work could command, "one needs to follow the artist right from his college days for at least a period of six to seven years to gauge his productivity and resilience", says Datta. It's something most buyers are not equipped to do, hence the need for well-qualified and trustworthy advisors.

With returns on art beating those offered by real estate, stockmarkets and even gold, art funds appear attractive to many individual investors who may not be interested in either understanding or owning art. Launched in August 2005, Yatra, a collaboration between Edelweiss Securities and Sakshi Art Gallery in Mumbai, was the country's first art fund and raised a corpus of Rs 12 crore. Since then, another half a dozen players have launched similar initiatives, including Copal Arts (with two issues of Rs 10 crore each and a third offering due on 5 December, which hopes to raise Rs 150 crore), Crayon Capital (with a corpus of Rs 40 crore) and Neville Tuli's Osian which, with a corpus of Rs 102 crore, is the country's largest fund.

"But art funds are not for those who want to hang art on their walls," says Alka Pande, curator and consultant with the Visual Arts Gallery in Delhi. Those who buy art as much for the love of it as for its commercial value turn to galleries, curators and independent advisors for guidance.

The Band Of Advisors

"Earlier, whenever there was a good show you spoke to the artist. As a curator, I am finding it more and more difficult to access artists. They are all represented by gallerists who also make themselves unavailable," shares Pande.

Her experience is not unique. While both the buyer base and the collective of artists that caters to it have increased exponentially, the conduit through which the transaction between them must take place remains extremely narrow. There are still only a handful of galleries, curators, promoters and critics funnelling the works. And at times, their desire to dominate the art fraternity can create artificial scarcities.

"There are galleries that will rig the prices of their favourite artists," says an art critic on condition of anonymity. This, says Arvind Vijaymohan, director of Delhi's Bodhi Art Gallery, might be true of fly-by-night galleries, but if a "gallery wants to survive in the market, it cannot afford to behave like a punter who will create hype, make money and then exit the space". Speculation about how they act behind closed doors aside, a number of the galleries in India are becoming increasingly professional, making it easier for domestic buyers as well as international auction houses and collectors to deal with them.

"Galleries in India are changing the way they display art, track the provenance and conduct their business," says Christie's Mehta. "In India, a gallery works with a hundred artists and each artist works with multiple galleries." This prevents the building up of a lasting and trustworthy relationship between the artist and the gallery. Galleries, besides being key nurturing spaces for artists, are also the first gatekeepers when it comes to preventing fakes from entering the market. Though a sign of Indian art mart's prosperity, fakes also point to the desperate lack of institutional mechanism to address issues of provenance, authentication and documentation. The All India Authentication Committee for Contemporary Arts set up by Osian's Connoisseurs of Art is a step in this direction.

But it's not just the physical infrastructure that needs investing in. "Today almost every third person is an art dealer and every fourth one an advisor," says Pande, who argues passionately for the need of investment in art education. "We have excellent fine art schools in India but unfortunately, there are no courses offered in the fields of curatorial management, conservation and preservation of art works, cataloguing and documentation," says Sangeeta Ahuja, director of SA Fine Arts in London. "These are areas of expertise that are very crucial for the growth and development of the market."

Like other sectors of the Indian economy, the development of the art mart, too, is threatened by a lack of adequate and appropriate infrastructure and support services (see 'The Art Ecosystem' on page 36). "Issues such as art-handling and packaging, storage and warehousing, transportation in specialised vehicles and art insurance need to be handled by experts and professional management firms," says Ahuja, who promotes works produced by living Indian artists exclusively for European collectors. Sarkar, who had two Atul Dodiya paintings ruined at Kolkata airport due to lack of storage and transportation facilities, couldn't agree more. Another area that begs immediate attention is the lack of financial transparency, says Mukesh Panika, head of Religare's recently launched Arts Initiative. Today, 50 per cent of the transactions take place through auctions and recorded sales. The remaining are cash transactions that remain unaccounted, making the regulation and documentation of the market impossible.

We are sitting on a mine of talent in a market where the appetite for art is insatiable. But to realise its true potential, the Indian art mart must cultivate discipline and nurture professionals who will help shape an ethos where art is not caught in the binary of aesthetics versus commerce. ■

FOR ART'S SAKE

THE art world can be an intimidating one not only for the nervous first-time buyer, but also for the shrewd investor. "Art is the most dangerous asset to acquire," says Delhi-based gallerist Arun Vadehra. "A person without knowledge is like a person walking in a minefield unarmed." An art advisor, besides having the professional qualifications, must also have an intense knowledge of art and the artist, understand the market and have foresight.

But despite the pronounced need for advisors, only a few are qualified enough to guide you in this highly opaque and subjective market. Alka Pande, curator, Visual Arts Gallery of India Habitat Centre is one. Pande believes "it helps to have advisors and consultants to build a collection with a judicious balance of art, aesthetics and investment". She is now finishing a guidebook for those who wish to buy art but don't know how to.

Bodhi's Arvind Vijay Mohan says given the dearth of consultants, buyers turn to galleries for advice. Kapil Chopra, who started building a collection over a year ago, turned to Saffronart, the online auction house for guidance. "I recommend people spend time on Saffronart's website, or the Net in general," says Chopra, general manager of Gurgaon's Trident Hotel. The recently launched Religare Arts Initiative plans to have an advisory wing to "assist collectors and people who are keen to be in the business of art." ■

Alka Pande, curator, Visual Arts Gallery

TRIBHUWAN SHARMA

Electric storm

BAIJU KALESH, DINESH NARAYANAN AND PUJA MEHRA

THE debate over the strategy the Anil Dhirubhai Ambani (ADA) Group is using to manage, and raise money for, the various mega-power projects it has won is prompting regulators and corporate governance experts to grapple with some critical issues.

Several legal authorities, including two former Chief Justices of the Supreme Court, V.N. Khare and M.H. Kania, say there is nothing legally amiss with the ADA Group's approach. But whether some of the laws and regulations the group has leveraged to execute its strategy are good for corporate governance remains debatable, and some politicians and corporate leaders are calling for them to be changed.

At the heart of the matter is the fact that Reliance Energy, which supplies power to Delhi and Mumbai, and was called BSES (Bombay Suburban Electricity Supply) before it was bought by the Ambanis in 2003, was the group firm with the most experience in the power sector. But the group built up a partially owned subsidiary of Reliance Energy called Reliance Power to bid for and win major new power projects, such as the 4,000-MW Sasan plant and the 7,800-MW Dadri project, which are valued at about Rs 35,000 crore.

As per the documents submitted by the ADA Group for the bids, while ownership of the mega projects would rest with Reliance Power, Reliance Energy's expertise would be utilised to build and operate them. Importantly, while Anil Ambani personally controls only 35 per cent of Reliance Energy, the company's board of directors has restricted the company's ownership in Reliance Power to 50 per cent. Anil Ambani personally owns the balance 50 per cent.

An ADA spokesperson explains that the Reliance Energy board, which includes people such as Gen. V.P. Malik, the former chief of the Indian armed forces and S.L. Rao, a former director-general of the National Council for Applied Economic Research, took this decision because it wanted to mitigate the costs and risks these mega projects placed on Reliance Energy. "Reliance Energy did not have enough capital to fund all its ambitious projects," the ADA spokesperson says. "In March 2005, the Reliance Energy board met to consider the huge capital expenditure plans of the company. Anil Ambani excused himself from the meeting where independent directors, including Leena Srivastava (of The Energy and Resources Institute), Gen. Malik and S.L. Rao, took a decision that all new generation projects would be handled by Reliance Power — Sasan, Dadri, hydro projects, etc. The old ones — Dahanu, Kerala, Goa and Samalkot — would remain with Reliance Energy. The board also decided that Reliance Energy and Anil Ambani would have an equal share in the company."

There was little public reaction about this at the time. But suddenly last month, a group of 14 shareholders from Reliance Energy filed a public interest litigation (PIL) with the Mumbai High Court, saying they were deprived of fully participating in the power projects bagged by Reliance Power. Among the shareholders' contentions is that Reliance Energy's board should have taken the consent of shareholders before deciding to limit the company's ownership in Reliance Power, says Prakash Krishnan, spokesman for the group. Krishnan also complains that Anil Ambani used a shell company, Reliance Power Utility Pvt Ltd (RPUPL), which had a meagre capital of Rs 1 lakh, to increase his stake in Reliance Power. An Ambani company, AAA Projects Venture (and Reliance Energy) each pumped in Rs 500 crore into RPUPL just before it was merged with Reliance Power.

The ADA spokesperson points out that the merger was approved by the Mumbai High Court and that it did not alter Anil Ambani's shareholding in Reliance Power, which has always been 50 per cent. And for now, the court has asked the Securities and Exchange Board of India (Sebi) to look into the issue. But with the ADA Group poised to take Reliance Power public, the debate over the corporate governance issues involved here has acquired greater urgency.

Krishnan and other ADA Group critics say that going by the draft prospectus Reliance Power has filed, the company plans to raise a minimum of Rs 6,148 crore by issuing 130 crore shares. This works out to about Rs 47 a share, a lot higher than the Rs 2 a share Anil Ambani and Reliance Energy paid for their

The Reliance Power IPO has walked a legal tightrope. But it could spur changes in regulations

SANJIT KUNDU

TRIBHUVAN SHARMA

pre-issue holdings in Reliance Power about two years ago. Krishnan says this is unfair, but the ADA Group spokesperson points out that it is entirely legal. "Any public issue is not linked to the offer price at which the pre-issue capital has been brought in if the pre-issue capital has been brought in by the promoter one year before the issue," he says. "This isn't 1982 when you couldn't charge more than a certain premium. Isn't the idea for the promoter to get rewarded for building a company up? In any case, Reliance Power's exact IPO premium is yet to be determined."

Various media outlets, including *BW*, have also queried Reliance Power's decision to split the face value of its stock to Rs 2 from the usual Rs 10. Since a Sebi technicality says that any stock with a face value of Rs 2 must have an issue price of Rs 500 or more, which is much higher than the reasonable price of a Reliance Power share, the company has also asked for an exemption from this rule.

An ADA Group spokesperson says that the split was merely done to make the stock more attractive to retail investors. "Psychologically, retail investors often get scared of big numbers, so if the Rs 10 stock could be issued for Rs 100, we thought it would be better to offer them a Rs 2 stock at Rs 20," the spokesperson says. "People should be happy we want to reach and create new small investors."

LEGALLY SAFE: But the public battle seems far from over for Anil Ambani

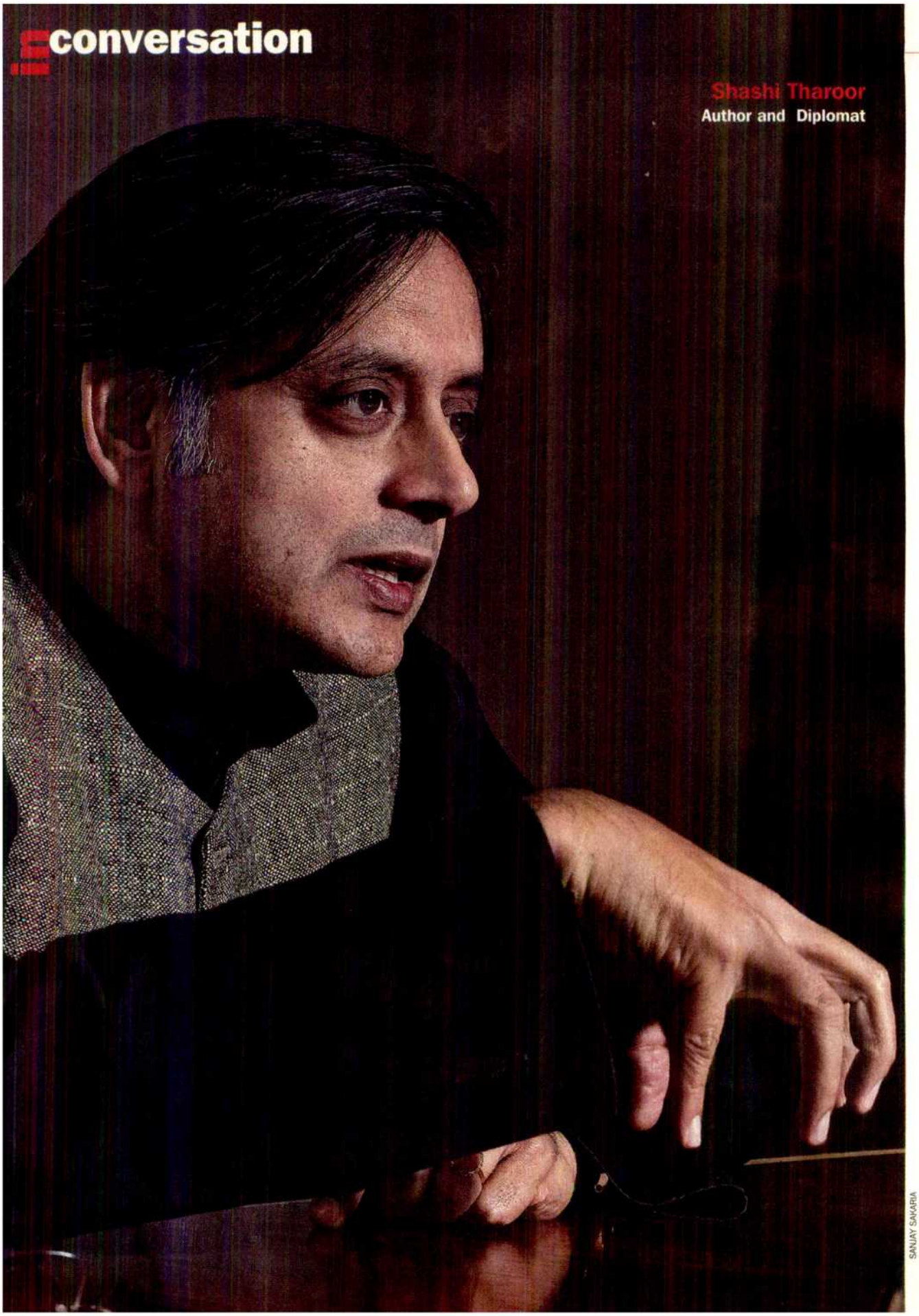
The ADA Group's request is unusual, and Sebi norms say only some public sector units (PSUs) should be given this benefit. The ADA Group spokesperson insists that since the group's power projects are also in national interest, it too should get this benefit. But many financial experts question the very basis of the Rs 2 rule. "The practice of Sebi exempting PSUs should not be allowed as the government is taking advantage of its own regulatory body," says Akil Hirani, managing partner at Majumdar and Co, a law firm that advises clients on corporate governance.

Adding a dose of spice to these intricate legal and financial issues is the fact that ADA Group spokespersons have said that much of the debate around the Reliance Power IPO, including the shareholder group that has filed the PIL in Mumbai, is being encouraged by supporters of Anil's estranged older brother, Mukesh Ambani, who wish to undermine the ADA Group's growth. Paresh Chaudhry, a spokesperson for Reliance Industries, Mukesh Ambani's flagship company, vehemently denies this charge, saying the ADA Group is only trying to de-focus attention from serious corporate governance issues.

In another twist, of 25 Members of Parliament (MPs) that earlier accused Anil Ambani of wrongfully allocating himself shares in Reliance Power, 23 have now withdrawn their claims. Some of the MPs say they were misled on the issue and others even say their letters of complaint against Anil Ambani were forged!

In the ADA Group, there is a quiet sense of satisfaction that their moves have been lawful, and will stand the test of legal and regulatory inquiry. ADA Group executives also rubbish any negative impact of their moves on Reliance Energy shareholders by pointing out that the company's shares have soared by more than 250 per cent in the past year. But the public battle seems far from over. With the market rife with rumours about how some powerful players are stoking the fires around the Reliance Power IPO, the issue could get much more controversial as it nears its approval date. ■

Shashi Tharoor
Author and Diplomat



SANJAY SAKARIA

'Business could guarantee India's security'

IN 1978, Shashi Tharoor began what was to be a long career at the United Nations. Starting with the UN's High Commissioner for Refugees, he went on to hold responsibilities in areas such as peacekeeping, communications and even the promotion of multilingualism. Having since retired from the UN, Tharoor now devotes much time to his first love — writing — and recently launched his 10th book, *The Elephant, The Tiger and the Cellphone*. He also serves as chairman of Dubai-based Afras Ventures, which promotes foreign investment in India. No longer bound by the UN's preference for diplomatese as an official language, Tharoor had a free-wheeling discussion on Indian politics, international affairs and globalisation with *BW*'s Pierre Mario Fitter and Sumati Nagrath. Excerpts:

■ *When you talk of globalisation's winners and losers, who are these losers and to whom are they losing out?*

■ The first group is those who are losing out not because of globalisation, but because they do not have enough access to it. Globalisation is like a fast train. It stops only at a few platforms and not every place in the world is connected to it. In some places, the platforms are there but the train doesn't stop. We have to find ways to get more people onto that train. The second set of losers is within societies that have succeeded. That's the Indian example. These are not losers of globalisation, but losers despite globalisation. Thomas Friedman, whom I like very much and respect as a friend, celebrates the Infosys campus. It's fabulous, world class. Infosys has its own generators because it simply cannot guarantee electricity supply. It has built its own roads. It also employs 4,000 bus drivers because the city doesn't have enough. In other words, you have these oases and the people outside them are losing out because we've not been able to make the links from the oases of excellence to the general world. That needs to be dealt with.

■ *In your latest book you talk about India's transformation from a lumbering elephant to a bounding tiger. How does that translate into India's current geopolitical status?*

■ The era in which we bellowed our moral pronouncements to the world was an era in which the gap between our standing and our right to preach, the realities of our own existence and our own immediate needs was glaring, and that ultimately lost us some credit in the eyes of the world. Today, India is being taken seriously only because we're no longer like that. No one says any more that you are preaching to us when you can't feed your own people. Today they're saying, 'Gosh! We want to know what you're doing, because you are transforming your economy, you are pulling 10 million people out of poverty every year.'

■ *But at the same time India's not doing itself a favour investing in countries such as Myanmar and Sudan, and has reports of human rights violations in its states.*

■ Firstly, there are lots of things to criticise, and as a democracy, there are Indians who are criticising these. When we speak of human rights violations, it should be a matter of pride that these violations are being uncovered by our free press and civil society. Something horrible like the government's role in Gujrat riots is inexcusable. But at least the Indian press is still doggedly trying to pursue them. This is the strength of our society that we should not completely undermine. Our credibility comes not from the fact that nothing bad ever happens, but when it does, we have the institutions that can do something about it.

■ *Do you see any problems with India not having a clear foreign policy?*

■ I think the government still has a rhetorical commitment to non-alignment. This is a slightly odd thing, because you don't have two opposing poles in the world. So you have to reinterpret non-alignment of being free of all commitments to anybody. But in that case, every country is in that position.

Then you have a question about whether it is in India's interests today to define its position in the world as a leading voice for the developing world. Surely our strategic vision has to evolve beyond that. We should now see ourselves as a player in our own right on the world stage. The purpose of any foreign policy is to be able to serve the people in whose name it is being conducted. If India requires certain things to keep its people well-fed, secure, healthy and prosperous, that is what our foreign policy objective should be.

■ *The government is investing through oil companies in Sudan or Myanmar. When China does it, it gets heavily criticised. Isn't that a double standard?*

■ Some years ago, I asked a question — can India afford an ethical foreign policy? My own view is that we are different from China. When the first student revolt occurred in Myanmar, we did give the students asylum and financial support. But then, China and Pakistan cheerfully moved in and began developing very useful relations with Myanmar at our expense. The generals started giving safe haven to rebel movements in our North-East, who went on to kill civilians. Maybe the experts in our government have decided that the generals will never be replaced by a democracy. We can speak in terms of moral principles,

but governments have to make the judgements. These policies have been made by the head and not the heart. Maybe we've lost a bit of our soul.

■ *Is it always about ethics versus enlightened self-interest?*

■ The two can and should go together. We live too far from the olden days, where we often seemed to have taken more satisfaction in being right than in being pragmatic. Frankly, in old days, especially in the days of all those slogans about imperialism, we were too quick to dismiss other countries as being tools of the West. That was a serious mistake.

■ *In the past couple of years, every one of our neighbours has figured on* Foreign Policy *magazine's Failed States Index. If the threat is not inside, how do we tackle the threat from outside?*

■ You cannot rule out the risk of an Islamic takeover of Bangladesh. You cannot rule out the Maoists taking over Nepal. You cannot rule out 'n' number of scenarios in Pakistan. We live in a dangerous neighbourhood.

Any Indian government has a serious responsibility to be organised, to have effective security apparatuses. It seems to me that one of the great untold stories of India is that we've essentially absorbed 20 million Bangladeshis in the past 25 years without batting an eyelid. We've taken in 7 million Nepalis since their troubles began. If we continue to grow and provide opportunities for Indians and others around us, we will reduce the dangers both within and outside. Unemployed young men have always been a menace. People will come in to take advantage of the opportunities India offers and through that things will change and transform. That's why your magazine and the business world it represents has an extraordinarily important responsibility, because, really, business could not just guarantee India's prosperity, but by doing so could also guarantee its security.

■ *You don't seem to agree with the thesis that the State is no longer relevant.*

■ Who is not providing to the citizenry outside Infosys's campus, the kinds of quality of services that people inside have? It is after all, the State. So, I feel the State has a role. It hasn't withered away, but it hasn't always delivered what it is supposed to and that is my argument. Even theoretically, one understands that private sector capital is a vehicle of development. It is outstripping official development assistance of governments by factors of 7 to 1 in parts of the developing world. So, to me, the government is not the only answer, but it is an important part of the answer.

■ *Aren't personality-based politics and compromise candidacies diluting what a government should be doing?*

■ Again, as a matter of record, I've argued for some time that our democracy is still very flawed. In *'India: From midnight to the millenium'*, I argued at length for a presidential system. In an executive system, where the cabinet can be appointed, people are talented and accountable to the person who appointed them. At present, the cabinet is appointed on the basis of their political influence, not their abilities. They are principally accountable to their parties rather than to the chief executive of a country. So, an awful lot of time is spent by the executive on the business of staying in office. Others say that a presidential system could lead to a dictatorship. But in India, a directly elected president in Delhi would be balanced by 28 directly elected chief ministers or governors in the states. These arguments are weak. I think the real reason is inertia. All the members of the political class know how to manipulate the system. They don't want change.

> "Globalisation is like a fast train. It stops at a few platforms and not every place is connected to it. We have to find ways to get more people onto that train"

■ *Does it worry you that there aren't many young Indians who are helping to push India forward?*

■ It's a fair point, but it's no reflection on the new breed of Indian entrepreneurs. The fact is that there are now more and more — certainly not enough — politicians who are like the middle class professionals of the old days who went into service. You've got your Jytotiraditya Scindia, Milind Deora and other youngsters all under 40, who are by-and-large people who in the past would not have been seen in politics. It's true that they're mostly sons of politicians, but by being there, they're vindicating their role.

■ *A lot of people feel that few in the new generation, outside of politics, would actually want to forego the cushy consultant or analyst jobs.*

■ Yes, our youngsters may be career oriented, but I get the impression that they still do care about more than just that. Certainly, today, the rush for the exits is not there. A much, much lower percentage of the graduating class of IITs and IIMs are pushing off for jobs in the West. Many want to stay here. This is the society that they want to be a part of and help change. So I wouldn't say no one wants to be around.

■ *Elsewhere you have said that the argument that India will fragment has been defeated. What prevents the 'balkanisation' of India?*

■ In some ways, the cricket team! I think that if we had a better cricket playing country in the 1930s and 1940s, maybe partition wouldn't have happened. You can get *masala dosas* in Delhi as you can get *chole bhature*, you can get *salwar kameezes* in Kerala. When the tragedy of Kargil happened, and coffins came back to every village, there was no question about unity. I see signs of national unity. In the context of the argument I've made — that it is many identities under one identity. I told some Americans who'd come here that we are not a melting pot, what we are is a *thali*. The dishes don't flow into each other necessarily, but they all sit on the same plate and they combine on your palate to give you a satisfying meal. That is my notion of India. ■

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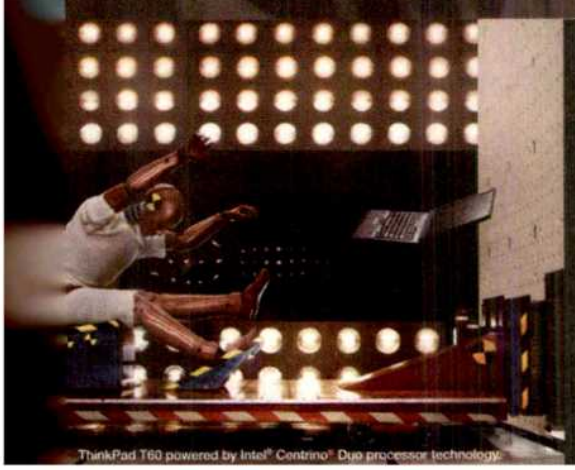

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SRIKANTH SRINIVAS

The IMF's World Economic Outlook has confidence in the growth prospects of India and other emerging economies

CAPITAL OVERFLOWS

Illustration: ANTHONY LAWRENCE

HERE'S the good news: while global economic growth is going to be lower in 2007 and 2008, it's not going to be a train wreck. The World Economic Outlook (WEO) — one of the International Monetary Fund's (IMF's) two flagship publications — maintains a positive perspective on the global economy. In the face of turbulence in global financial markets, the IMF says that global growth would moderate, but not too much. For the past two years — and particularly in the past year — growth in the world has in large part been driven by China and India. As a consequence, the IMF report goes on to say, world economic growth will still be buoyant at 4.8 per cent in 2008, and about 5.4 per cent in 2007, revised downwards by almost half a percentage point.

There's some more good news. "Emerging markets have come through the financial market turmoil almost unscathed," says IMF's Chief Economist Simon Johnson. "If anything, they have come out a bit stronger." But a word of caution. The main setoff issues that emerging markets face centre around overheating. Managing food prices, inflation and monetary policy in such an environment is difficult, but in India it seems to be working well, Johnson adds. "I think that looking ahead, for all emerging markets, including India, where this report has been well received, the main issue will be managing capital flows," he says.

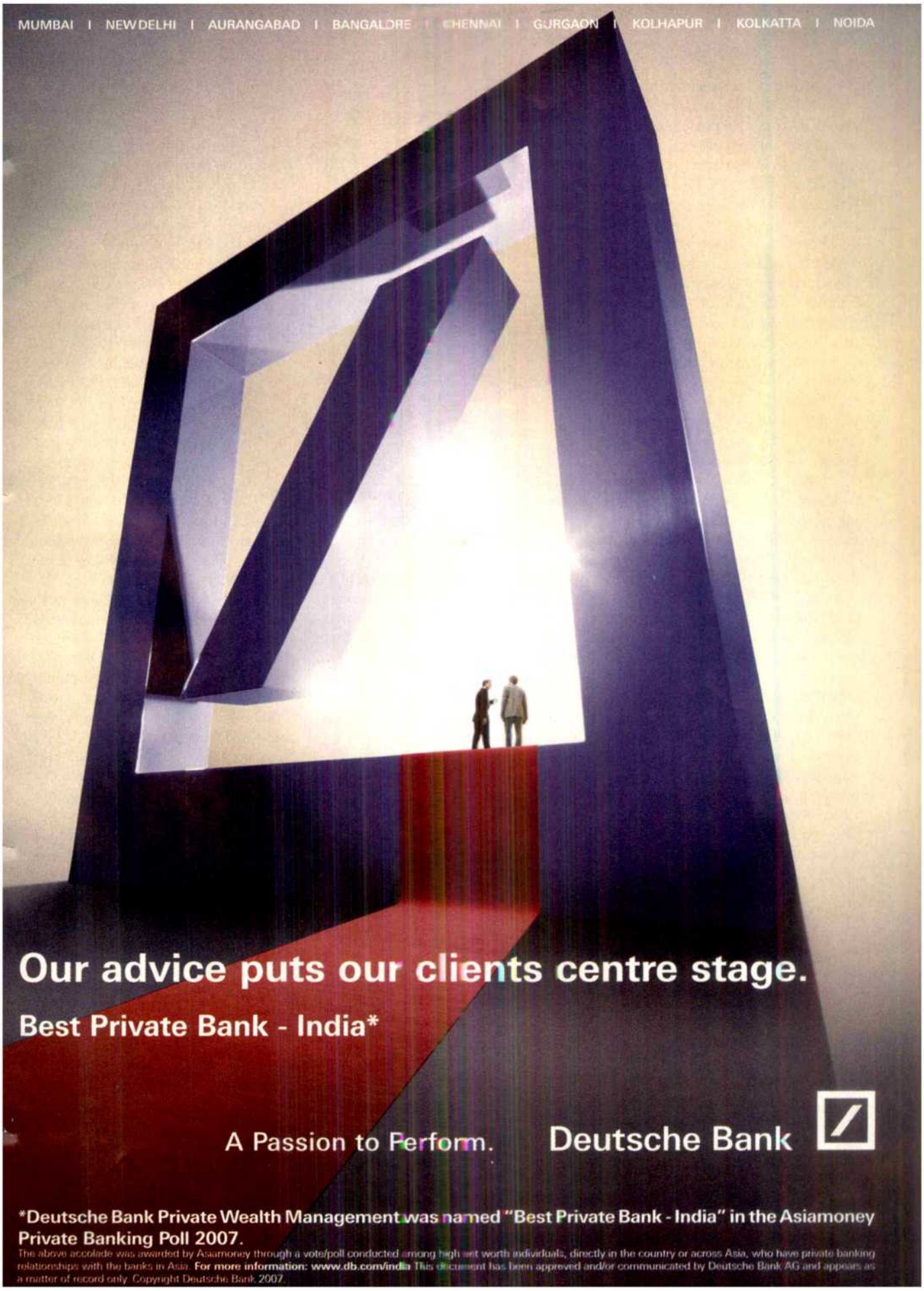
No doubt, that sounds rather soothing. But when you read the report carefully, and focus on the risks, you hear the IMF saying that there's a great deal that could go wrong. Take the uncertainty about the future of the global economy. The WEO says, "A key element of uncertainty is the extent to which a drying up of demand for securitised assets could drive the reintermediation of credit into the banking system, limiting capacity for new credit growth." Simply put, banks might not be able to lend as much as they did before, because more of their activities will have to be on their balance sheets. This has implications for everyone, from companies to the person on the street.

The report says that the drop in residential investment alone has taken nearly one percentage point off GDP growth in the past year. Result: there could be another 5 per cent decline in house prices. Further, the report also says the decline could be even sharper, implying greater refinancing difficulties and weakening household balance sheets, all leading to dampened consumption and residential investment. Under those circumstances, can a recession be that far away?

The WEO devotes an entire chapter to the issues related to managing capital flows. Another important chapter that developing countries in general and emerging markets in particular will be interested in is the one on globalisation and inequality. The third analytical chapter is on the changing dynamics of the global business cycle. So, what should we in India be worried about?

The Problems of Plenty

Capital flows into India have been sustained and have accelerated over the past 10 weeks. "This is the price of success, in a way," says Johnson. Even before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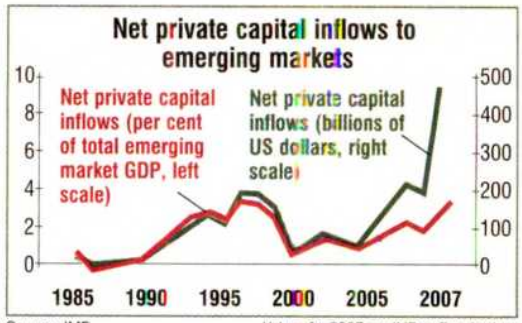
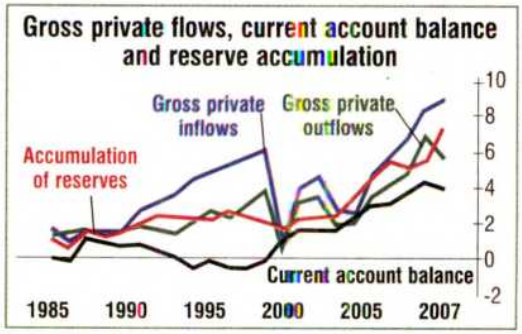
this latest surge, the Reserve Bank of India (RBI) has expressed concern over the growth in money supply, the inability to maintain a competitive exchange rate and the pressures on inflation, which are of particular concern for a government weighed down by pressure on other policy issues.

The monetary policy 'trilemma' is a well-known axiom in economic theory. Managing your exchange rate regime imposes stark trade-offs between exchange rate stability, monetary policy independence and capital mobility. In July, after intervening in the foreign exchange markets to stabilise the exchange rate, the RBI decided that it would have to forego exchange rate management in favour of being able to manage inflation and openness to foreign capital.

Monetary policy actions have met with some, but limited, success. Sterilising capital inflows through the issue of market stabilisation bonds has had an impact, but increasingly the government has had to raise the limits on the amount — now Rs 2 lakh crore — that it could sterilise through this instrument. "There is a role for sterilisation, but not on a long-term basis," says Roberto Carderelli, a senior economist in the IMF's research department, and one of the principal authors on the capital flows chapter. The use of direct instruments (such as increasing cash reserve requirements) has also had some impact, but many consider it a blunt instrument whose use should be limited. This week, the RBI had to increase it again — after a similar increase in July — by another half percentage point.



Source: IMF
Values for 2007 are IMF staff projections



Source: IMF
Values for 2007 are IMF staff projections

The Limits Of Policy

Given the limitations on monetary policy action, are there fiscal policy measures that could help manage capital flows more effectively? Experience from several episodes of dealing with inflows — the data set used in this WEO report is drawn from 109 episodes starting from the 1980s to the present — suggests that fiscal restraint is important. "This is not to suggest that you should reduce expenditure," says Johnson. "There are a number of issues being discussed on raising revenues in India, and some could be explored in greater depth when the economy is growing at such a high rate."

What about capital controls? In September, former Deputy Governor of the RBI, S.S. Tarapore, suggested that capital controls — perhaps an indirect measure like a tax on inflows if not direct measures such as limits on transaction volumes — might become necessary; otherwise, we could lose control of monetary and fiscal policy. The evidence on the use of capital controls suggests that they have not been very effective, according to the WEO. That said, in recent times there have been calls for the imposition of some form of capital controls, even if for a limited period. But the costs could be high, in terms of a rapid decline in capital inflows, to an extent further than envisaged.

As Finance Minister P. Chidambaram observed recently, "It is hard, once you have opened up your financial markets to foreign capital, to now say that you will place curbs on them." Chidambaram was responding to suggestions in various quarters to regulate the use of participatory notes, which foreign investors such as hedge funds use for investing in Indian stockmarkets; both in the official sector and in markets, the use of this instrument is being hotly debated; it is a primary source of large inflows into India.

Relaxing Controls On Outflows

The government has relaxed constraints on capital outflows in attempting to moderate the level of capital inflows, but there haven't been too many takers. For individuals, even high net-worth ones, the knowledge about investing in overseas markets is scant. For companies, interest rate differentials between domestic and overseas credit markets preclude prepayment of foreign debt. However, Indian companies are looking for global acquisitions, and large ones at that. "Besides, why would people want to invest in a depreciating currency such as the dollar when they can hold assets in a strong currency such as the rupee?" asks an investment adviser who wishes to remain anonymous.

The IMF acknowledges that data on the effect of relaxing capital outflows is not conclusive. "We have no evidence that it actually works," says Carderelli. "There is not enough data to conduct cross-country analyses to a degree of detail that would make such analyses useful to policymakers."

In fact, there is not much evidence that either controls on capital inflows or relaxation on outflows works in any way. A review of economic performance beginning two years before imposition of controls and two years after the relaxation of controls on outflows does not show any evidence that controls or their relaxation actually work. "What the relaxation on outflows could do is ease pressure on appreciation of the currency," says Johnson.

So, where does that leave us? The main point that emerges from a close reading of the WEO is that there are big risks and uncertainties surrounding the benign outlook that currently prevails in the markets. As Diwali, the festival of lights, approaches, the sound of the firecracker that is the explosive growth of the stockmarkets — driven by ever-increasing capital flows — will drown out the sound of every other cautionary voice. If the regulators could sing, they'd be canaries in a coal mine. ■

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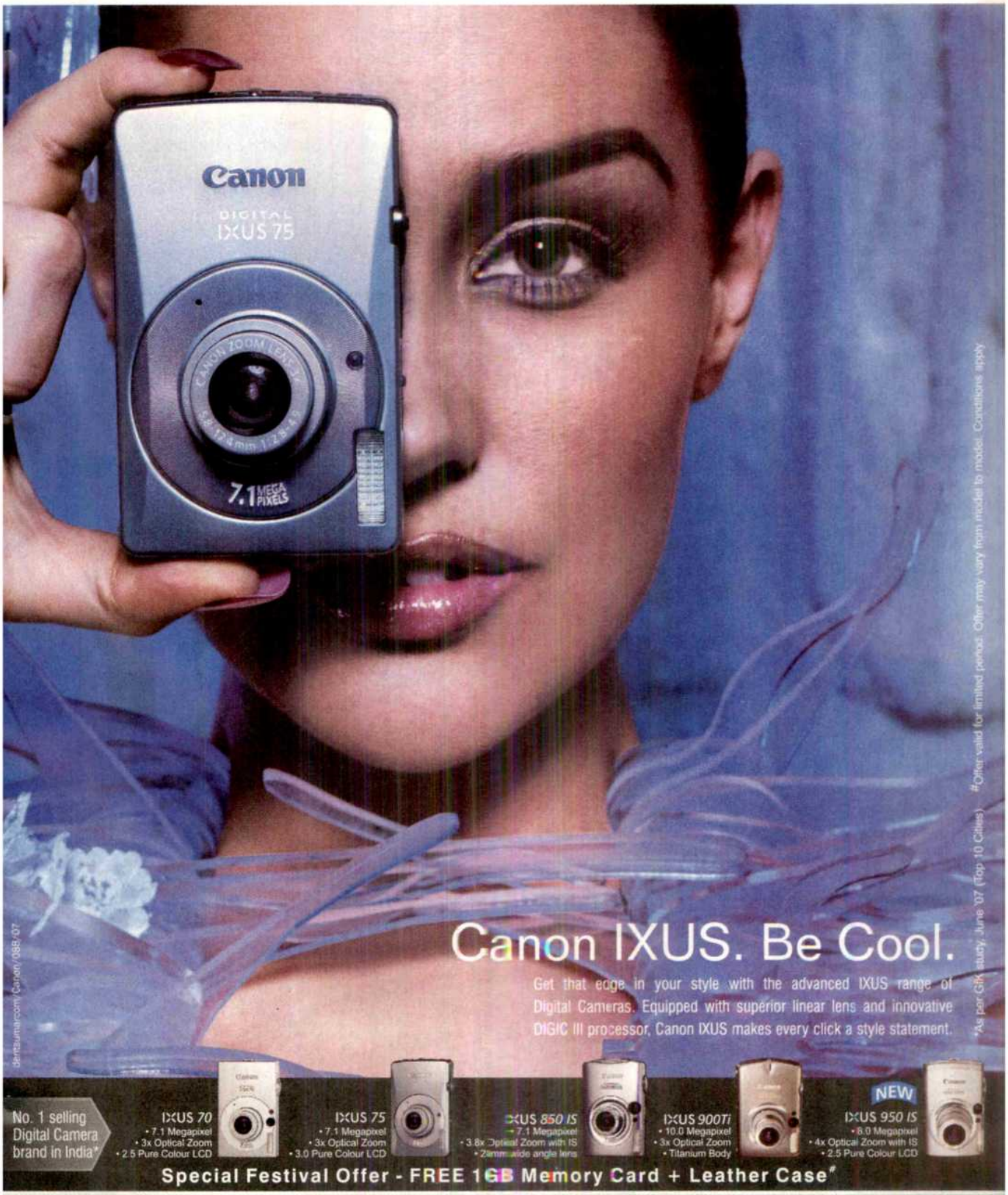

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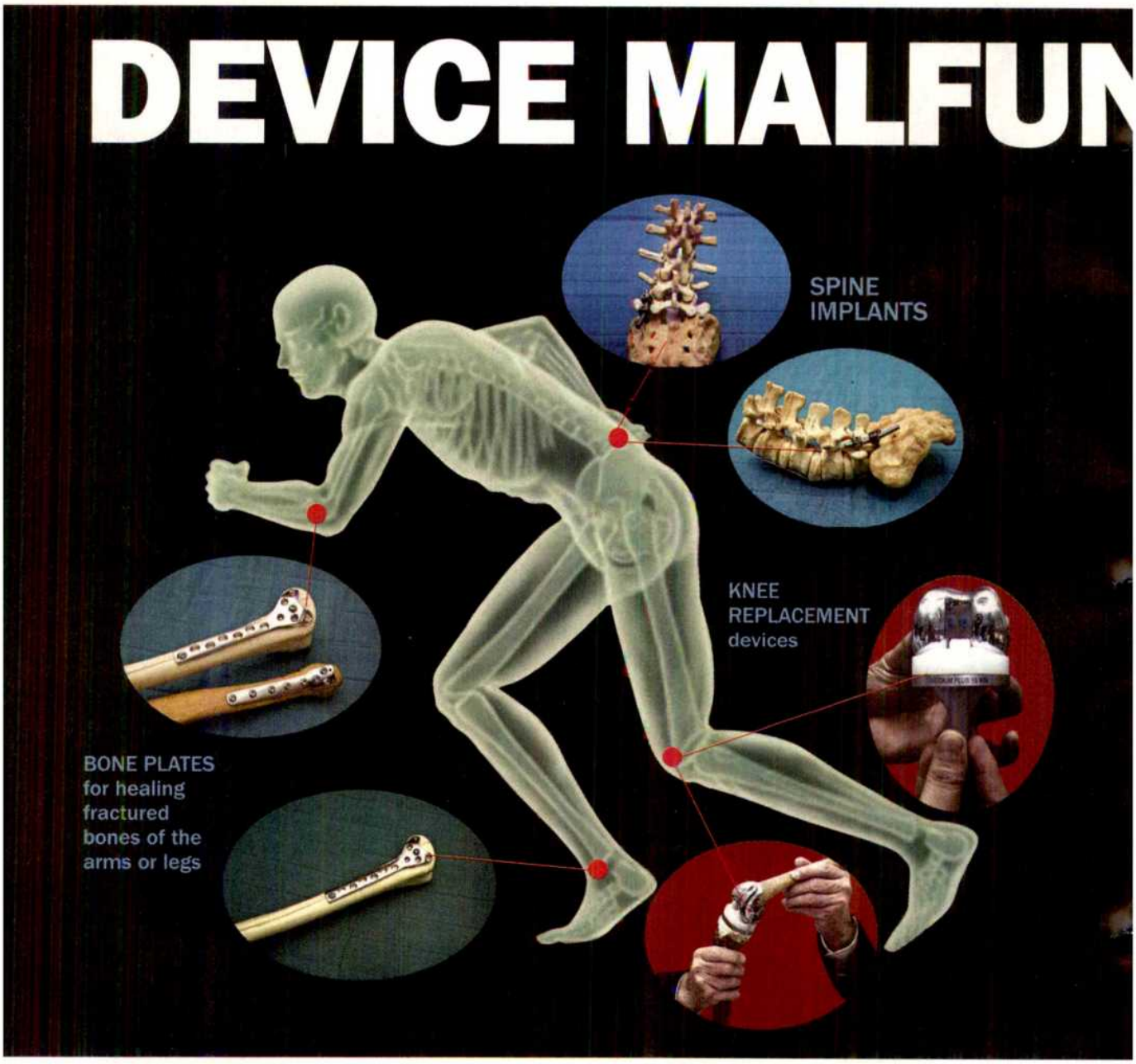
THE Sushrut-Adler Group's single-storeyed office is hemmed in by expanses of real estate reserved for India's emerging infotech and biotech industries in Pune's Hinjewadi Technology Park. "I can't expand in this location even if I want to," says Ajay Pitre, managing director of this indigenous maker of orthopaedic implants. "There is no space here for us."

India's medical implants and devices industry is a poor cousin of the country's biopharmaceuticals and technology sectors. According to Frost & Sullivan, the global medical devices industry, at $196 billion, is dwarfed by its $500-billion-plus pharmaceuticals counterpart. In India too, at $1.8 billion, the market is just about as large as Ranbaxy or Dr. Reddy's Labs, the country's largest drug makers. And while India's pet sunrise industries have been richly rewarded with tax breaks and other incentives for putting the nation on the global map, makers of bone plates, pacemakers, intra-ocular lenses, heart valves and stents do not even have a law to govern them. "It's almost like we don't exist," says Pitre.

Without effective regulation, bona-fide producers compete with barnyard operators and local traders who use scrap metal as raw material, and import goods of unproven quality. "We have to compete on price with those who cut corners," says Pitre. Also, Indian companies often fare poorly against premium global brands such as America's Medtronic or Boston Scientific, which are approved by stringent western regulators and backed by huge amounts of clinical trials data. Imports account for



most of the Indian market. "Quality has always been a concern with Indian players in the past," says Vaibhavi Ananthanarayanan, programme manager of healthcare practice at Frost & Sullivan. "But it is more of a perception issue."

Intensive Care

But things are changing. The Ministry of Science and Technology is readying to table a breakthrough Bill in the Parliament's winter session. The Medical Devices Regulation Bill, 2006 proposes to set up an autonomous regulator for the sector. Its primary aim will be to set standards on a par with the rest of the world. "Once a device is tested and approved in India, there should be no testing needed in any importing country," says B. Hari Gopal, adviser to the ministry. The Bill will also regulate imports into the country.

"With more stringent regulations, Indian products will fare better than some foreign brands as they are less expensive and are made for the Indian consumer," says Ananthanarayanan.

However, another regulation is threatening to unclothis promise. Since 2005, 10 categories of products are subject to the Drugs & Cosmetics (D&C) Act of 1940. An October 2005 notification requires importers and local manufacturers in these categories to be licensed by the Indian drugs regulator, the Drugs Controller General of India (DCGI). It gave existing players a grace period, now lapsed, to obtain licences. Companies allege the Act was not written for the devices industry and that it is endangering their survival.

The cause lies in the Act itself, say players, some of whom spoke under condition of anonymity. In Europe and the US, separate laws govern medical devices and implants. The pre-independence D&C Act was meant for drugs and cosmetics. Some of its requirements add to cost but not necessarily to quality, they add.

The Trouble With The Law

Take the concept of sterility. A sterile drug, like an intravenous fluid, has to be manufactured in 'clean room' conditions. This requires a certain type of flooring, furniture, air flow and energy requirement to minimise impurities. Importantly, a sterile drug is tested in-house for impurities.

A sterile medical device can even be one that is sterilised at the point of use. For instance, a doctor orders different sizes of an orthopaedic implant from a company and, at the time of surgery, sterilises only that which fits the patient. "You need a dust-controlled environment for processing plastic components since dust particles could get permanently embedded in it," says K. Sunil, vice-president of TTK Healthcare, the country's sole maker of heart valves. "But this is not so for metal components such as bone plates, which can be cleaned." An in-house sterility testing laboratory will be expensive but hardly utilised.

But these are precisely the reasons why some licences are being held back.

The Doctor Can't Carry On

At the busy basement workshop of Pune's Sancheti Hospital, artificial 'Indus knees' are being made, an innovation that took founder orthopaedic surgeon K.H. Sancheti and his team seven years to design. Indus allows patients with debilitating knee pain to not just walk but even squat. So far, the hospital says, more than 400 patients, including poor villagers from the states of Maharashtra, West Bengal and Madhya Pradesh, have received the Indus knee. At Rs 25,000-30,000, it costs a lot less than the Rs 60,000-1 lakh for an imported device.

But work will soon stop here. Dr Sancheti says he is unable to meet the requirements of the D&C Act. "Why, for instance, do I need an in-house biological testing laboratory?" he asks. The end-product is irradiated at the state-owned Bhabha Atomic Research Centre in Mumbai, after which the package is opened only in the operating theatre. Dr Sancheti, a 2003 Padma Bhushan awardee, says if he were to meet all the Act's requirements, the cost of manufacturing would quintuple.

Instead, he has decided to transfer technology to Sushrut-Adler. This will hike prices and take away the hospital's flexibility in customising implants for patients. But, "I can't do it any other way", says Dr Sancheti.

Even companies such as Sushrut are up against a regulatory wall. In the market for over two decades, it is yet to receive its licence. And this, says Pitre, in spite of getting the CE mark from a designated European body after detailed audit, which has allowed it to export small consignments to Germany and the UK. Ironically, the same factory does not meet conditions mandated by the D&C Act.

The Act has also burdened an already overwhelmed regulatory system. Companies are in queue for a year or more, waiting for licensing inspection. At the DCGI's office, half the 80 available positions are vacant. State administrations, which help regulate

CTION

Will hamhanded regulation kill the local medical devices industry?

By Gauri Kamath

In the WORKS

The Medical Device Regulation Bill, 2006, will

- Create an autonomous regulator for medical devices
- Provide for rules governing safety, efficacy, design and manufacturing
- Create panels to classify devices, and for testing and evaluation
- Classify devices by risk, and link regulation to the level of risk

Photographs: SUBHABRATA DAS Illustration: ANTHONY LAWRENCE

the thousands of drug manufacturers in the country, are also over-burdened. An official in the DCGI's office in New Delhi, whom this reporter was directed to speak to, points out under condition of anonymity that one state food-and-drugs inspector operating from a district-level office would have to oversee local manufacturers, pharmacies, investigations, and pending court cases. Medical devices are just the latest addition. "The shortage is acute," he says. "If 50 manufacturers apply from one district, it is bound to take months to complete inspections." The DCGI could not be reached for comment.

till July 2007. But there is no list of approved local manufacturers, or even a list of applicants. This lack of information has other side-effects. End-users such as doctors cannot check on the manufacturers approval status, and there is no incentive for producers to apply for a licence as there is no way of knowing who has applied and who hasn't. "Many companies don't even know they are being regulated," admits the official.

Exports may be hit too. Importing countries need evidence — called a free sale certificate — that a device is approved for use in the exporting country. Until the DCGI licenses a unit, a free sale certificate is out of the question. "I

20 YEARS, AND COUNTING

IN the early 1980s, the government sent a senior health ministry official to an international meeting on medical devices regulation in the US. He was shocked to find that of about 50 countries that were represented, India was the only country with no regulation. Thus began a long-winded process that has culminated in the Medical Devices Regulation Bill, 2006. The one institution that has been a constant in the process is Kerala's Sri Chitra Tirunal Institute for Medical Sciences & Technology. The state-owned hospital has been pushing for regulation since 1980. The reason, says its now retired founder director Sankaran Valiathan, is simple. "At the time, Sri Chitra was on the cusp of developing a range of local alternatives to imported devices, but we had no clue whose approval to take to launch the product." Sri Chitra chose to apply to the ministry. After much discussion, the drugs regulator approved Sri Chitra's blood bags. Yet Sri Chitra kept pushing for regulation. "Until there's a new law, all decisions are ad-hoc," says Valiathan, who became the 'go to' person for any government that looked at medical devices regulation. In 2000, six years after he retired, he chaired a committee set up by the Indian Council of Medical Research. The latest Bill is based on its suggestions.

Serious Side-effects

Ironically, imports are being approved on the basis of documentation, minus factory inspections. "We are getting implants even from China but there is no rule to inspect their factories," says Dr Sancheti. Even imports from the developed world need some kind of audit, says Sankaran Valiathan, former director of Kerala's Sri Chitra Tirunal Institute of Medical Sciences and Technology, where the heart valve that TTK markets was developed. "How do you know that it is not a rejected device that is being dumped here?"

The DCGI's website lists 303 import registration certificates issued this year, hope the issue is resolved soon," says Sunil, who is presently forced to tell potential customers that TTK is awaiting certification.

Compounding matters is the fact that the industry has not banded together to influence policy. "They could achieve a lot more if they joined hands," says Dilip Shah, secretary general of the Mumbai-based Indian Pharmaceutical Alliance, a grouping of top drug makers that has been successful in shaping policy. The way the medical devices industry is structured, that's next to impossible. Products range from CT scanning machines, ECG and MRI apparatus on the one hand, to knee and heart implants on the other. Even sutures are medical devices.

Each market segment has addressed its own issues so far. Drug-coated stent producers are one example. It was illegal trials of an imported stent in a government hospital in Mumbai that led to a High Court order for regulation of medical devices in 2005. This was after the importer and a local stent company, both of which were shut down by the state, went to court drawing attention to the absence of rules.

Since then, stent producers such as Bangalore's Vascular Concepts (which went to court), and Ahmedabad's Sahajanand Medical Technologies (SMT), have got their licences. Dhirajlal Kotadia, SMT's chairman, says the process took almost a year. "There may be some negative impact in the short term, but the move is positive." Companies that make hydrocephalus shunts and pacemakers are not included in the regulated categories as yet. Indeed, they may prefer to work quietly.

Sustained Release

Everyone agrees that there is a need for a new law. "It will clear some of the backlog in the current system," says Swaminathan Jayaraman, CEO of Vascular Concepts. Adds Atul Sethi, MD of Indore-based pacemaker Shri Pacetronix, "A device cannot be regulated as a drug."

Amending the D&C Act by making it relevant to devices will require consensus among the states and the Centre. "A new Bill is a faster route," says the Science Ministry's Gopal. But the official at the DCGI's office says, "We have regulated disposable syringes, and copper Ts (contraceptive implants). We are not completely unaware." He thinks issues can be addressed, "How can we deny a licence to someone who's been serving for 20 years? We have to think about consumers."

Entrepreneurs are hardly comforted. Technically, they can be shut down anytime as the grace period allowed by the 2005 order lapsed long ago. According to them, the only solution is to allow existing devices to continue in the market unequivocally, by government fiat, till the new Bill comes into force. Until then, companies such as Sushrut-Adler will just have to hope they don't end up as casualties. ■

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Muhammad Yunus, the Nobel Laureate for peace in 2006, is the founder of the microcredit institution Grameen Bank in Bangladesh.

The innate entrepreneurs

MANY people think microcredit is only useful for the entrepreneurial poor, and that there are not too many of them. "If you give it to 90 per cent of the poor," they say, "it won't work. They don't know how to make a business." To hear this burns me up. It is wrong. The fact is, all human beings, without exception, are entrepreneurs. It is part of human nature.

That some people are seen as entrepreneurs and others are not is because of the society in which we live. For some, society hasn't offered the opportunity to unleash that capacity. But the ability is there.

Very early on, this was Grameen Bank's experience with women. At first they said, "You must only offer loans to my husband. He handles the money." They didn't believe they had any entrepreneurial ability. Today, our bank has 7.5 million borrowers/owners, 97 per cent of whom are women. Poor women also dominate the board of directors of the bank, which has 27,000 employees and 2,500 branches.

Unleashing entrepreneurial ability is like prospecting, or drilling for oil. You know the oil is there, you just have to figure out how to get to it and get it out of the ground. There may be false starts, but finally you get to it. The same is true with entrepreneurial ability. It is a gift inside. Once you recognise it is there, you just have to unwrap it and put it to use.

Nothing proves this more than our experience with beggars in Bangladesh. At some point in the lives of women or men who become beggars, all other options have failed. All they can do to feed themselves and their children is beg for their livelihood. Soon, it becomes a daily routine as they go from house to house hoping for some charity.

So, we said to these beggars, "As you go door to door begging, why don't you carry some merchandise to sell, some cookies or candy or toys for the kids? After all, you are going there anyway. It is not extra work. If it doesn't work, you can go on begging. But at least here is another option. You don't have to rely on charity, but can earn your living." On an average, we lent them $15-$20 to buy their merchandise, which they had to pay back out of their profits.

Today, 100,000 beggars take part in this programme. No one has ever been trained. We just give them the money and tell them to figure out on their own what will sell.

Ten thousand of these beggars have become full-time entrepreneurs. Some of them became 'personal shoppers'. Often, a woman who is at home cannot go to the market. If she needs some matches for cooking, she must ask her husband to bring them. As always is the case with husbands, they forget. Now, when the beggar comes, the housewife asks if they can go buy the matches for her and bring them back. Some even give the beggars small shopping lists for items they need from the market.

The other 90,000 in this programme are what I would call 'part-time' beggars on their way out of reliance on charity in their own time, at their own pace. I like to say they are 'restructuring their business', closing down their 'beggar' division and building up their 'sales' division. This takes time.

It is a remarkable thing to see how lending a mere $20 to a beggar can transform his life so dramatically. When I ask these people how their lives have changed, they tell me, "When we were beggars, people often wouldn't even open the door. They just talked to us through the window. Now that the family knows we bring something, they open the door and give us a stool to sit down. Sometimes the kids come running around to see what we have."

It is not the money these new entrepreneurs talk about, but the respect and recognition they get. They have gone from the humiliation of being a beggar at everyone's door to being a salesperson with dignity. That is a very big return for the investment of a handful of dollars. ■

A meagre sum of $20 can turn one's life around — from that of a beggar to a self-reliant individual

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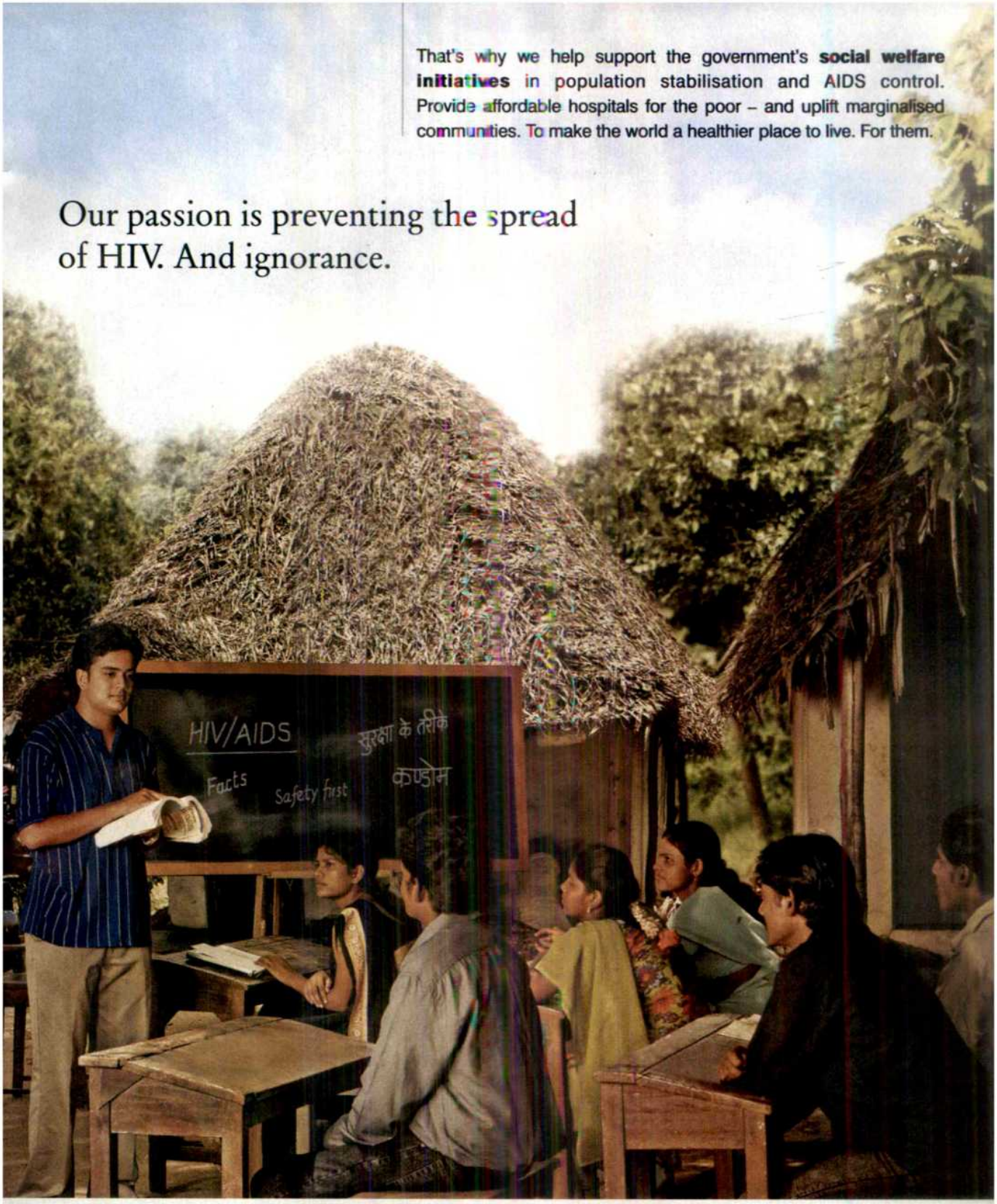

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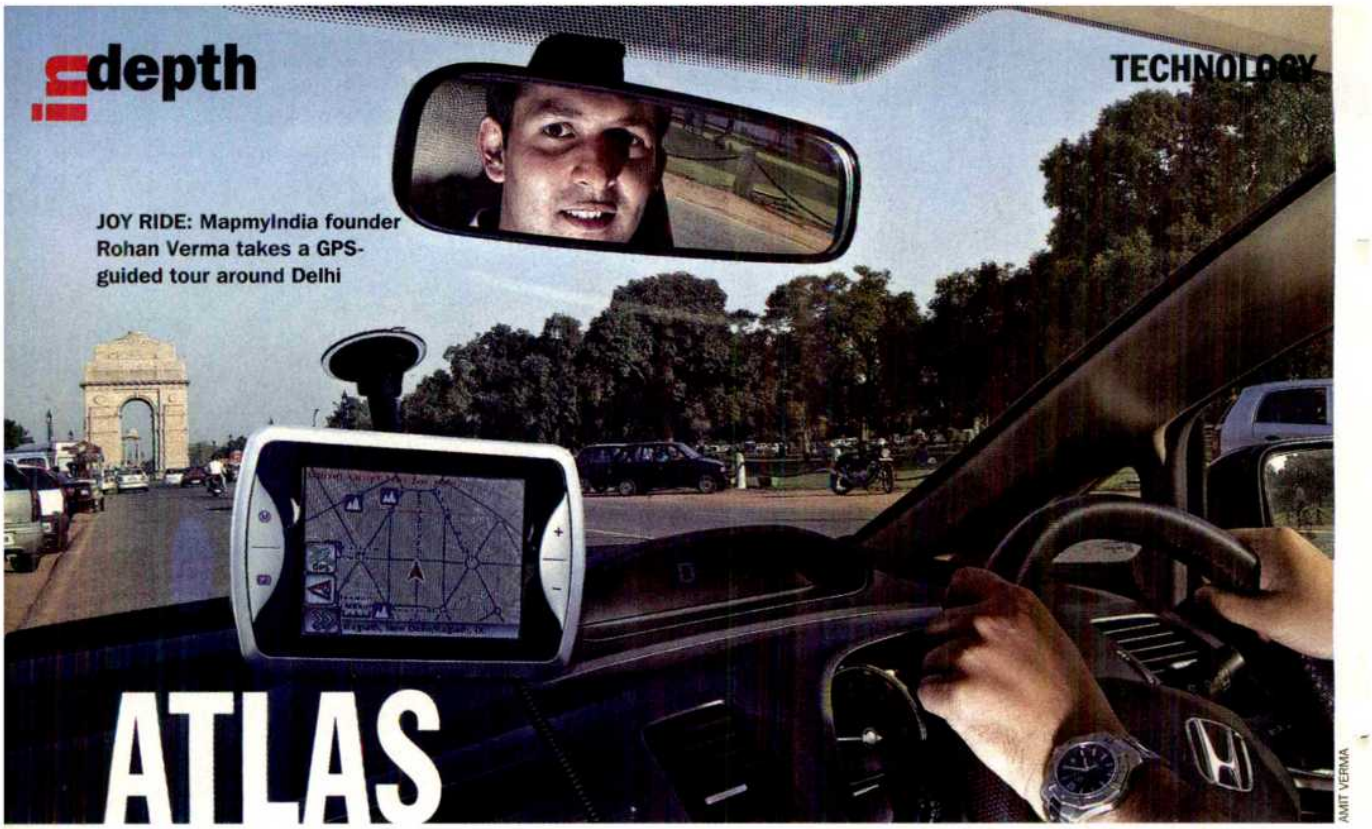

JOY RIDE: MapmyIndia founder Rohan Verma takes a GPS-guided tour around Delhi

AMIT VERMA

ATLAS activated

PIERRE MARIO FITTER

The market for GPS-enabled navigation solutions in India is all set for its biggest year yet

YOU'RE driving down a new road when you realise you've become hopelessly lost. You stop a passer-by and ask for directions. Looking confused, he mumbles a reply. Whatever his response was, it's of no help, so you keep driving and driving. You wish you had the talking black corvette, Kit, from the *Knight Rider* TV show to guide you around!

Well, Kit's here, or at least the part that tells you where you should be going, and it's called Global Positioning System or GPS technology. The US first developed GPS technology in the 1970s for military use. In 1996, the then President Bill Clinton opened up the technology for public use. Today, in countries such as Japan, nearly two-thirds of new cars have GPS devices.

Here's how GPS works. A constellation of 24 satellites sends down signals to Earth. A GPS device, say, in a car, must lock in to at least three such signals. This helps it calculate its exact position on the globe by measuring its distance from each satellite.

But learning only your geographic coordinates is useless if you're lost — you still have to find your destination. So, GPS receivers combine geographic coordinates with road maps to navigate your way around. GPS navigation tells you where you are on a map and also shows you the road to your destination.

The popularity of GPS navigation has risen in recent years. In 2006, between 19 million and 30 million devices were sold worldwide depending on whose statistics you look at. In fact, the US-originated system is now so popular that Europe, India and China are planning their own satellite-based navigation systems. Russia already has one called Glonass.

Global GPS device sales took off in June 2003, when Medion, a German company, imported a personal navigation device (PND) for €499 from Taiwan. "Earlier, such devices sold for at least €800," says Chris Jones, vice-president and principal analyst at Canalys, a high-tech industry analysis firm in London.

Medion's breakthrough price helped sell 100,000 of its personal navigation devices in the first week alone. In 2004, TomTom, a global leader in PNDs, launched a similarly-priced device, sparking off a price war. "The competition drove down prices further," says Jones. "Because the demand was so strong, companies were able to develop economies of scale."

India is yet to see such growth. Until last year, Hyderabad-based SatNav Technologies was the only vendor of GPS devices. Since then, other companies have also entered the market with their own products. These include GPS-enabled mobile phones, personal digital assistants (PDAs) with built-in GPS receivers and other PNDs.

SatNav started in 1999 as part of Satyam Computer's in-house technology entrepreneurship programme. "We used to work on maps and GPS navigation systems for Satyam clients," says Amit Prasad, its founder and CEO.

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SatNav went independent in 2003. Between August 2005 and March 2007, the company tried in vain to convince car makers to install its products in their vehicles. Only 1,200 units were sold.

Earlier this year, SatNav changed gears by selling its products online. 8,000 units have been bought in the past six months alone. Its product range now includes external GPS receivers (and software) that attach to smart phones and PDAs, as well as PNDs.

Another recent entrant is MapmyIndia. It started out as a summer project for 22-year-old Rohan Verma. His father, Rakesh Verma, launched CE Infosystems in 1994. CE Infosystems develop highly-detailed maps of India. In 2004, Rohan took his father's extensive map data and made it available online for free.

"MapmyIndia.com got amazing user response," says Rohan. "So I thought 'let's get serious'." MapmyIndia's online maps are now used by several organisations such as Yahoo! India, Yatra.com and even India's Election Commission. This September, the company introduced a PND for about Rs 22,000. It also launched several new navigation products. These include new PNDs, free-to-download navigation software and maps for mobile phones and PDAs, and a Web-based SMS service for directions.

Bharti Airtel, which introduced GPS navigation on its Blackberry devices, uses MapmyIndia's maps on the Blackberry 8800 model. "As more handsets come to India, this space will really open up," says a Bharti Airtel spokesperson.

One company that promises to revolutionise the industry is Nokia. Two of its phones, the N95 and the E90, have built-in GPS capabilities . A third device is in the offing. "Navigation has the potential to surpass any other service, based on consumer need alone," says Devinder Kishore, Nokia's marketing director in India. Nokia's recent moves show just that. According to media reports, the company will spend as much as $8 billion (Rs 32,000 crore) to buy NavTeq, the world's largest digital mapping company. "If Nokia has its way, it will have GPS in most of its devices in two years," says Canalys's Jones.

Teething Pains

While the industry is largely optimistic, it does have some concerns in India. PND sellers such as SatNav Technologies and MapmyIndia.com face a 34 per cent import duty on their products. "PND prices need to come down for more people to buy them," says Jones, who believes India will be a leading GPS device market. The cheapest device in India today is a Rs 12,000 GPS-enabled PDA from SatNav.

What could also complicate things is the government's announcement that it has signed up to Europe's satellite navigation programme — Galileo. India's own satellite navigation programme, 'Gagan', will be reserved for the aviation industry. MapmyIndia's Verma says these aren't immediate worries as both Galileo and Gagan are at least 3-4 years away from launch. By then dual-compatibility devices should be available.

Until last year, the GPS device market was heavily dominated by PNDs. Phones such as Nokia's N95 are changing that equation. Such GPS-enabled mobiles (2.1 million were sold last year), already form 11.3 per cent of the global market, while PNDs, with 15.5 million units sold last year, hold 81.8 per cent, according to Canalys. With countries such as India and China adding several million phone subscribers every month, market shares could easily tilt in favour of GPS-enabled mobiles in a few years.

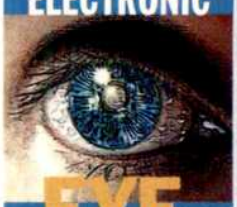
"Competition is good," says MapmyIndia's Verma. "It forces you to continuously improve solutions." His company expects to triple its revenues by end-2008. Prasad agrees. "Without competition, we may only sell 15,000 units next year; with it we might do 25,000," he says.

Another growth opportunity in India may come from the car market. According to Canalys, around 10 per cent of European cars and up to 66 per cent of Japanese cars come with pre-installed navigation devices. For the moment, Prasad feels Indian car makers still don't realise the potential of GPS navigation, but he remains hopeful.

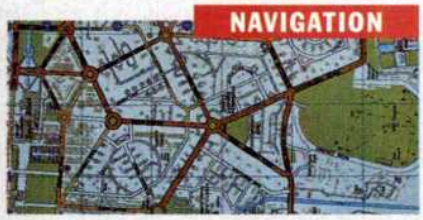
One thing is for sure. With more of these high-tech navigators on Indian roads, bad directions and lost travellers will soon be another relic from India's past. ■

ELECTRONIC EYE

Some areas where GLOBAL POSITIONING SYSTEMS can help



NAVIGATION



GPS devices can help users find their way to new destinations, tourist spots, ATMs, shopping malls and dozens of other buildings and places of interest.

FLEET TRACKING

Taxis or logistics companies can keep track of the location of vehicles fitted with GPS transmitters. This will help real-time coordination of operations.

SANJIT KUNDU

LOCATION-BASED ADVERTISING

In future, shops and stores will be able to locate nearby shoppers who are using GPS devices and send customised ads.

TRACKING STOLEN CARS

AFP

Cars with GPS transmitters can help police recover stolen vehicles. But the vehicle needs to be in an open area.

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Time: 12:30 pm onwards
Venue: Army Golf Course – Bison Environmental Park, Bolarum, Secunderabad
Event format: Day Golf – 18 holes

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Photographs: AFP

Make way for the BIG BOYS

Prime brokers with global clout are becoming more powerful in India

DINESH NARAYANAN

LAST week, an institutional salesperson at a local broking firm got a rude shock. Several of his foreign clients, who bought and sold stocks through sub-accounts using participatory notes (PNs), stopped trading with his firm.

"They (foreign institutional investors) have told us that their prime brokers are insisting they route all their PN trades through them," he said on condition of anonymity, as being vocal could affect his firm's relationships. He said clients earlier used to route trades through his firm and the broking fees was split with the big brokers. While broking fees for normal trades is about 30-40 basis points of the trade value, for PN transactions it goes up to about 120 basis points. "Now they want to keep the entire fees," he says.

The power of prime brokers such as Goldman Sachs, UBS, JP Morgan, Citi, Merrill Lynch, Deutsche Securities and Morgan Stanley is increasing as portfolio investors in the Indian market continue buying into local companies and globally connected brokers wield more clout with clients. With the Securities and Exchange Board of India (Sebi) tightening entry norms for foreign investors, prime brokers are now in an even better position to pressure clients into doing their bidding.

A key official with one of the prime brokers admitted that there was a bit of arm-twisting going on. He, however, declined to elaborate.

Five entities — Morgan Stanley, Merrill Lynch Capital Markets Espana, Citigroup Global Markets (Mauritius), Goldman Sachs Investments (Mauritius), and CLSA Merchant Bankers — account for more than half the PNs issued against Indian equities and derivatives. The notional value of PNs at the end of August was Rs 3,53,484 crore.

Tricks Of The Trade

Prime brokers have more clout among foreign clients because of their global reach and ability to operate across different markets simultaneously. Their reach and experience allows them to offer tax-efficient structured products and risk hedging strategies that span different markets to savvy investors such as hedge funds.

A source at one of the prime brokers offers an example. Some time ago, his firm helped some clients balance their bearish positions in the global commodity markets by creating an opposite position in the runaway Indian equity market. "They (clients) went short on Brazilian sugar and went long on a basket of Indian sugar stocks that included

INDIAN INSURANCE INDUSTRY

HOW ROBUST IS OUR TRAINING PRACTICE?

Growth brings its own problems. For the insurance sector which is estimated to grow to a staggering US$60 billion by 2010, it's becoming a problem of people. Getting people seems to be the biggest challenge for the industry which is growing by leaps and bounds.

The problem is acute because compared to 2000-01, when the industry contributed towards 12 per cent of the country's GDP, the insurance sector contributed 19.3 per cent in 2004-05. First year premium including single premium recorded a growth of 47.94 per cent, driven by a significant rise in the unit-linked business, surpassing the growth of 32 per cent in 2004-05. The number of policies written by the private insurers increased by 73.9 per cent - the Indian insurance industry is therefore poised for a meteoric growth in the years to come.

The writing on the wall is clear - the road ahead is pregnant with opportunities, but are we prepared enough to deliver?

CEOs in the insurance industry are recognizing the daunting human resources challenge that they are facing. The problem is particularly peculiar to India, unlike in Western countries, insurance agents (or financial advisors as they are now known as) treat their jobs as part-time and secondary. The average life-cycle of a financial advisor is eight months. This is because they tap into their network of family and friends - often referred to as natural markets. Unfortunately, once they exhaust such contacts, advisors remain dormant for the rest of their career. Injecting fresh blood is the norm amongst India's insurance players given the target-oriented nature of the insurance business, but at what cost?

Businessworld, in association with The Chartered Insurance Institute, conducted an extensive survey amongst CEOs and senior executives in the insurance industry to identify the need gaps in training and development of advisors in the insurance industry. With 20 lakh individual advisors and more than 5000 corporate advisors, the problem is not so much about quantity - instead, it's about quality. Inadequate availability of 'employable' talent and making raw talent 'employable' emerged as the biggest challenge for senior executives across India's leading insurance companies.

Specifically on the existing training and development practices in place, at the time of the survey the CEOs were concerned about the 100 hours IRDA-mandated training. Collectively they believe that such a format is not enough for their advisors to understand customer needs and effectively sell insurance products. IRDA has already taken note of this shared concern and has swiftly acted to reduce the mandated training hours from 100 to 50. However, what the body does to its curriculum remains to be seen as CEOs feel that the IRDA training, which serves as an appropriate launch pad, should be supplemented with additional courses on advanced insurance concepts, personal development and customer service orientation. This is all the more relevant in today's age of customer focus on wealth creation and thus the need to seek financial planning advice.

As a result, most companies have additional training mechanisms in place. These training sessions take place in-house, and are completely need-based. Companies place a significant focus on training their advisors to assess customer needs as insurance itself has migrated from being a risk mitigating product to an investment product. CEOs agree that an uninformed and unprofessional advisor is a corporate liability in the business of insurance, and thus training assumes critical importance.

Given the existing training mechanisms, insurance companies are open to external training institutes and certifications. In fact, many enroll their employees to receive US/UK certified insurance training. Such training enhances soft skills and also assists advisors to better understand new-age insurance products.

CEOs revealed that while selecting an external training solutions provider, customization and reputation of the provider holds commendable significance. External partners need to work closely with insurance players to understand their competitive differentiators. Only then will institutes be able to train advisors to engage in a need-based selling model. Partners such as The Chartered Insurance Institute who exist 'to protect the public by guiding the professional' are well placed to contribute towards the training and development needs of the Indian insurance industry.

The verdict is out - robust training programme is high on the CEO's agenda - the human resource challenge has to be addressed now, else the bubble might just burst too soon.

Advertorial

Bajaj Hindusthan and Balrampur Chini," he said. The investors were expecting sugar prices in Brazil to fall but wanted to ensure that they did not lose if their call went wrong and the prices rose. By buying sugar company stocks in India, where the sweetener is a controlled commodity and share prices were headed north, they were sure of making money even if they lost in Latin America.

Similarly, a recent popular hedge in the Indian market was Tata Steel. Some international investors, expecting the share price of Korean steel maker Posco to fall, sold the stock. They, however, purchased Tata Steel shares, whose price was going up. The position in Tata Steel helped set off the risk the investors took by selling Posco. These trading strategies are difficult for local brokers to execute.

Such plays were quite easy when foreign investors could freely invest in Indian equities and derivatives through PNs without directly taking an exposure. Their identity too remained hidden, giving them flexibility and agility to create and unwind positions.

PNs also helped foreign investors take positions in stock and index futures for longer periods of time than the three months allowed in India. For example, a prime broker would create a pool of securities in its proprietary account that would represent the stocks on the NSE's Nifty and create an offshore derivative product that would mirror the index futures contract. It would allow clients to stretch the contract for even up to a year or more even though such a contract would not be possible in India if the investor were to take a direct position.

"Big brokers can offer flexible products to their clients because they have a very large proprietary book and their capacity to take risk is high," says a person at a large foreign broking firm. He said they create custom options for investors who want guaranteed returns. The way it works is that the broking firm guarantees a minimum return to the investor and writes a PN against which it would buy shares.

As long as the returns are assured, the investor is not bothered about what the broker does with the shares. Effectively, the broker gets control of shares purchased with the client's money for an assured period of time. The broker can leverage the shares either to lend for a fee or write options against them. The investor shares the gains, while the downside risk is entirely borne by the broker.

As more and more foreign investors troop in to India to participate in, perhaps, the biggest growth story of the century, the demand for derivatives is bound to increase. "The derivatives part of the equity market will continue to grow globally," says Robert Rankin, who runs the investment banking division of Swiss bank UBS in Asia. "It is not an Indian phenomenon. Globally, you are going to see more and more growth in derivatives."

The foreign hand

Foreign holding of free float in big companies has touched new heights

Company	Free float	LIC, GIC, etc. holding	Actual free float	Foreign holding	Foreign hold / Free float
Bharat Heavy Electricals	35.00	3.08	31.92	19.99	62.63
Bajaj Auto	65.00	3.99	61.01	20.79	34.08
ICICI Bank	100.00	7.25	92.75	70.26	75.75
Infosys Technologies	85.00	3.13	81.87	54.96	67.13
Reliance Communication	35.00	4.26	30.74	13.59	44.21
Reliance Energy	70.00	16.42	53.58	23.42	43.71
Reliance Industries	50.00	4.14	45.86	24.91	54.32
Tata Steel	70.00	12.54	57.46	21.36	37.17
Tata Consultancy Services	20.00	2.21	17.79	8.11	45.59
Wipro	20.00	1.14	18.86	7.94	42.10

Source: *BW* research

Figures in per cent

Global Cues

India is still a nascent market for structured products because of a practically non-existent corporate debt market, a relatively shallow equity market and fledgling organised commodities trading. Lack of capital account convertibility also handicaps development of customised products for investors. But structured products have proliferated in the international financial markets over the past few years.

"There is an endless variety of structured products," says Deloitte Touche Tohmatsu in Global Securities Industry Outlook, Issues on the Horizon, 2007. The report quotes Arete Consulting as analysing more than 1,400 structured products, with almost 650 of them launched in 2006 alone. It estimates outstanding structured products in Asia between $100 billion and $150 billion.

"Credit default swaps, which provide protection against default by an issuer, more than doubled in value in just 12 months to reach $26 trillion in nominal terms by mid-2006," Deloitte says, quoting the International Swaps and Derivatives Association. The equity derivatives market was smaller at $6.4 trillion in mid-2006, but expanded by a third over the previous year.

Pressure Mounts

Regulatory curbs on FIIs issuing PNs to sub-account holders has somewhat cramped the brokers. But it might be only a matter of time before they come up with new methods and custom products. Though Indian equities do not offer the same kind of flexibility and depth that markets elsewhere offer, the shallowness helps in another way. The floating stock of several hot stocks is slowly coming under the control of a few foreign investors (see table 'The Foreign Hand'). Theoretically, that would help them move the prices of those stocks as they wish. Many market experts believe that the sharp run-up of some stocks can be attributed to a few investors controlling large chunks of the float.

Such stocks do not make good underlying assets for derivatives. For complex products to thrive, the markets must be broad and deep, and require a large number of companies with huge floating stock. ■

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Web conferencing gets a boost with launches, acquisitions and improving bandwidth and technology

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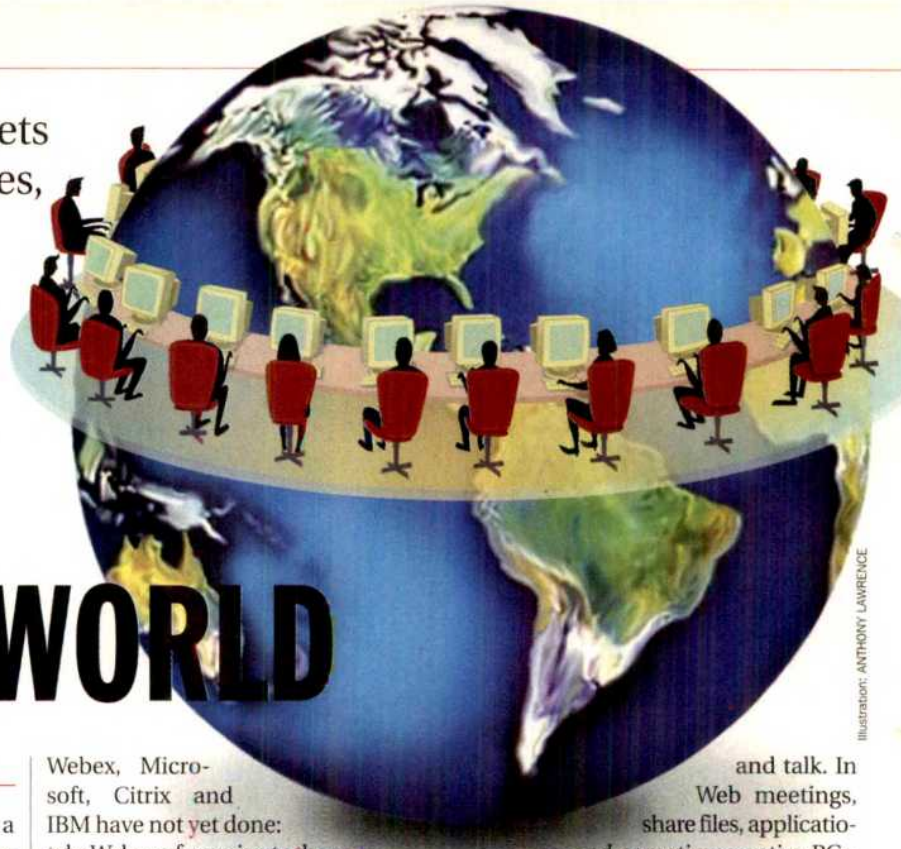

Illustration: ANTHONY LAWRENCE

P. HARI IN SAN FRANCISCO

IN March this year, David Ethel, a Texas-based internet programmer who ran the eponymous company Ethel Enterprises, received an unusual request from an event management company. A group of mothers, part of a Christian home-making organisation, wanted to have a meeting. There were around 200 of them, but spread in many countries around the world. They were, of course, not IT-savvy, and not rich enough to travel or buy expensive video conference equipment. Ethel soon found out a solution: Dimdim, an open source software that was still under beta testing.

Ethel hired Dimdim — both the product and the company had the same names — and arranged the meeting on the Web. The mothers were in 125 locations spread over countries such as Australia, Sweden, US, South Africa, and so on. The conference went on for about six hours, with six speakers and their presentations. There were a few technical glitches, but Dimdim arranged another conference for them a month later. That went smoothly. Says Ethel, "It was a great way for mothers to share their experiences without travelling."

Dimdim, based in Boston with a development centre in Hyderabad, was officially launched a month ago. It joins a crowded market, but is trying to do what mainstream products like those from Webex, Microsoft, Citrix and IBM have not yet done: take Web conferencing to the consumer. It uses a model that generally works with the consumer — give the product free, but make money through assisted conferences, like the one used by the mothers, where Dimdim provides technical support. This would, in the long-term, expand a market that is already growing quickly, and make Web conferencing one of the most ubiquitous technologies in the world.

Real time collaboration on the internet started in the mid-1990s with text chat and instant messaging. Towards the end of the 1990s, companies such as Webex (then a start-up), Placeware, Citrix and others began to offer true Web conferencing solutions. Yet the adoption of Web conferencing was slow in the beginning, primarily because of immature technology and poor bandwidth. In the past few years, it has picked up dramatically within the US, and is now expanding into Europe and Asia as well. Frost & Sullivan estimated the global Web conferencing market to be $782.1 million, growing at 20.4 per cent, and set to reach $1.98 billion in 2011. North America now constitutes 74 per cent of the market.

Web conferencing, as it exists now, is different from voice and video calls over the internet. In Voice or Video over Internet (VoIP), users connect using their PC and talk. In Web meetings, share files, applications, and sometimes entire PCs. There are white boards where you can write or draw in conjunction. In some products, participants can even remotely control others' PCs. All you need is a simple download. Certain products, such as Dimdim and a few stripped-down versions of mainstream products, do not require a download by everyone.

Despite Dimdim, the main market for Web meetings would continue to be within the corporate world. That is where all the major Web conferencing companies now focus. Says Claire Schooley, senior analyst at Forrester, a market research company, "Web conferencing is really not a consumer technology now." Companies in the US use it extensively for business development. "There is an impression that Web conferencing is primarily for cutting costs," says Gary Griffiths, president of product and technical operations of Webex. "This is not true. Companies are using it innovatively for improving productivity."

Webex, the pioneer and market leader so far, has products for individuals, small businesses and corporations, but charges as a service. So do most other players in this market. Companies such as Webex, IBM and Microsoft are now offering Web conferencing as part of a larger initiative — unified communications, a technology that integrates

STEPPING ON the gas

Acquisitions in the Web conferencing space have gone up in the past year

Acquiring company	Web conference co.	Acquired in	Price paid
AT&T	Interwise	Oct 2007	$ 121mn
IBM	Web Dialogue	Aug 2007	-
Google	Marratech	April 2007	-
Cisco	Webex	Mar 2007	$ 3.2 bn
West Corp	Raindance	Apr 2006	-
Cirtix	Expertcity	Dec 2003	$225 mn
Microsoft	Placeware	Jan 2003	-

Source: *BW Research*

all methods of communications into one entity. Companies are adopting unified communications in a big way, but that is another story. But as unified communications expands, so will Web conferencing. The adoption of Web conferencing is still low in the corporate world. "We think that only 5-10 per cent of enterprises have adopted Web meetings," says Roopam Jain, principal analyst at Frost & Sullivan.

The recent spate of acquisitions in this space shows that it is going to be a big market with the large players competing fiercely. At least eight acquisitions have happened in this space in the past two years, most of them being in the past one year (see table 'Stepping On The Gas'). In terms of technology, Web conferencing will move more towards a richer experience — higher video quality, better sharing of video, viewing video jointly and, sometime in the future, 3D as well. Here it will function closely as part of unified communications.

The beginnings are already here. Medway Plastics is a company based in Long Beach, California, with offices in the UK, and customers and suppliers all over the world. It had been using Web conferencing for sixyears. Only recently has the technology and bandwidth improved with video quality. For example, Medway IT manager Jay Magness now uses Microsoft 'Live Meeting' for many meetings within the company and outside, even when meeting with colleagues across the street on the same campus. "Having to get up and walk to another location consumes time," says Magness.

As a plastics company, Medway often has to deal with problems involving chemicals. If there is a problem, they now show pictures of the lab to the supplier, and solve the problem quickly without a technician having to travel to the site. It also uses Web conferencing to show pictures of mould designs to manufacturers in China. Magness also uses a hand-held device that can be used with the software product, and even uses Live Meeting when in his car.

But this kind of Web meeting requires a lot of bandwidth. It is no wonder that the large companies such as Webex, Microsoft and others use their own network to increase reliability. Poor bandwidth and cultural issues may have delayed the adoption of Web conferencing in India, but this technology is now ripe for the Indian industry. ■

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Chief Executive Officer of GMR Delhi International Airports Ltd.; Formerly Managing Director of the Gujrat Gas Company; Finance Director on the Board of SmithKline Beecham Pharmaceuticals and Director - Finance at British Gas.

Mr B.S Shanta Raju

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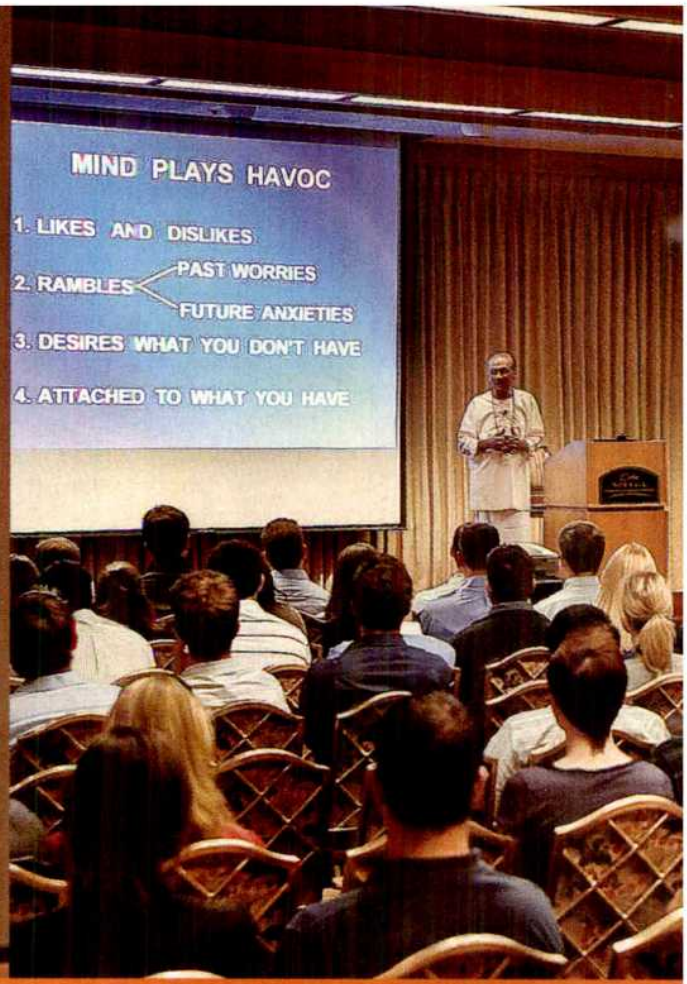
UNIT 83



KARMA Capi

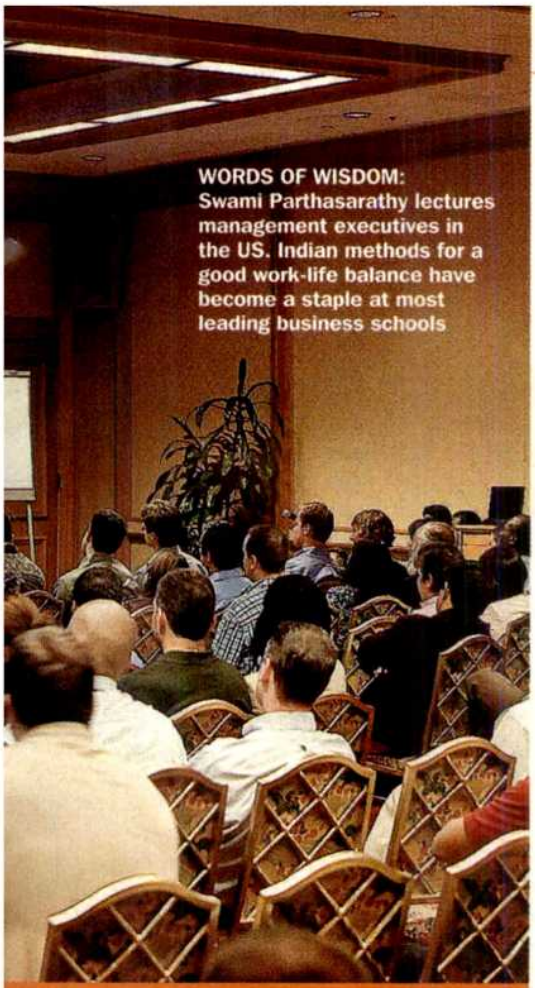
How top management executives in the US are taking recourse to Vedanta teachings to better their performance

LALITA ALOOR AMUTHAN IN NEW YORK

IT'S a busy day at Goldman Sachs. The downtown Manhattan headquarters of the global investment bank is buzzing with end-of-quarter trading. However, in a conference room on the 19th floor, more than a dozen C-level executives have taken time off from their hectic schedules for a leadership training session. Enter the trainer — a 34-year-old man wearing an off-white *kurta* and *dhoti*, and sporting a beaded *mala* around his neck. He proceeds to deliver a lecture. The topic is self-management and its impact on management skills. He interlaces his talk with teachings from the Hindu philosophy of Vedanta. After all, Gautam Jain is here as head of the Vedanta Academy's US operations.

Packaged as 'karma capitalism', a new brand of management technique is inching its way into corporate America. Jonathan Lewis, a branch manager at a New Jersey-based home mortgage bank, regularly attends the Vedanta lecture sessions held at a friend's place. "It has given me a different perspective on how to deal with everyday problems and taught me to better communicate with my employees," says Lewis.

Eastern meditation such as Yoga already has a wide audience in the West, especially among celebrities. Now high-profile management executives are turning East for quick-fix solutions to reducing stress in their lives. In fact, this fascination for the East has led to an article in a top US publication questioning whether ancient India's sacred scripture, *Bhagavad Gita*, is the "hip new



WORDS OF WISDOM: Swami Parthasarathy lectures management executives in the US. Indian methods for a good work-life balance have become a staple at most leading business schools

alists

ancient eastern management text".

'Self-mastery' classes that use Indian methods for a good work-life balance have become a staple at most leading business schools as well. Prof. Srikumar Rao teaches a course called 'Creativity and Personal Mastery' at Columbia Business School and London Business School. Most of his students, he says, are highly successful executives who are still miserable. His lectures are a mix of exercises that draw on ancient traditions and he regularly quotes Indian *swamis* and other philosophers as he expounds on the human mind and its immense potential.

"If you cannot manage yourself, you cannot manage others," declares Vedanta guru Jain to a rapt class in New York. The class is filled with CEOs and CFOs. Later, at an IBM training session, he advises 60 middle and senior management executives on the role of ancient wisdom in modern business. At all the talks, Jain tells his audience about the basic constituents of success — concentration, consistency and cooperation, something he learned from his mentor, Swami Parthasarathy, the founder of the Vedanta Academy in India.

Jain himself has a business background with a bachelor's in business from a US university in the early 1990s. While a student, he had arranged for Swami Parthasarathy to speak at his University campus. Upon graduation, he was flooded with job offers in the US but chose to return to India and join the Vedanta Academy, of which he had heard a lot during his schooling days.

Ten years later, he came back along with his wife Ritika, also a Vedanta disciple, to head the foundation's work in the US. While Ritika handles the administrative and publicity efforts of the foundation, Jain delivers lectures at various corporations. The focus of most of his talks is how to balance work and personal life. "Knowledge is powerful," he says. "As people hear you, they call their friends too. Soon, word spreads."

Parthasarathy, 80, who studied international law at University College London, and later founded the Vedanta Academy outside Mumbai, travels the globe giving discourses on spiritual awakening and development of the mind. Referred to as "Swami*ji*" by his students, he's always seen in a spotless white *kurta* and with a vertical red *tikka* on his forehead.

Enlightened

At the Young Presidents' Organization (YPO), an international fraternity of business leaders, he shows his audience the possibility of being both less stressed and more productive. "You believe work tires you? Work can never tire you!" he scolds. "What tires you are your worries about the past and anxiety for the future."

Parthasarathy cites how even big business houses are closing down. "One person falls, everybody falls," he says. "People need to sit and think what they are doing." He adds that businesses are built on incentives, not initiative; they work for weekends and vacations.

He describes how the intellect, as different from your mind, is your capacity to reason and analyse. "The mind is that which creates all the problem, the intellect is not developed," he tells his audience, while subtly pushing his newest book, *The Fall of the Human Intellect*. "Intellect can be developed by questioning everything." He even invites the audience to come to a YPO retreat in January at his Vedanta Academy in India.

And as the lecture winds up, this group of distinguished American professionals linger on for some more personal guidance, asking questions about marriage, health and stress reduction. "I don't practise everything he teaches," says Lewis. "I don't get up at 4 a.m. and meditate, but I do run, try and read passages of his books in the morning." Lewis is also a member of the Young Presidents' Organization and plans to go to India in January to attend the five-day retreat.

The swami's whirlwind East Coast tour signifies the beginning of a new trend: Corporate America is slowly but steadily embracing Indian philosophy. Even Northwestern's Kellogg Business School offers an executive leadership course by Indian self-help guru Deepak Chopra. Chopra is also on the board of clothing retailer Men's Wearhouse Inc. and has conducted programmes for Deloitte, Harvard Business School and the World Bank. Besides, some of the world's hottest business gurus include Indian names such as C.K. Prahalad, Ram Charan and Vijay Govindrajan.

But has this brand of eastern management technique found its foothold in the land of its origin? "In the West, they are grabbing it everywhere," says Parthasarathy. "Indians are not interested. They will take another 10 years to wake up to that." ■

BROWSING

Sridhar Chandrashekar
Director, Marketing
Virtusa India

I recently picked up **SACRED GAMES** by **VIKRAM CHANDRA**. I read rave reviews about the book and I also have a fascination for English authors of Indian origin.

I am an eclectic reader. I like reading philosophy, biographies, travelogues, business and management, and politics to name just a few.

I browse Amazon periodically and read reviews in a variety of magazines. Over and above all this, I go by 'word-of-mouth' referrals from friends. ■

ALERT

THE CONSCIENCE OF A LIBERAL

By Paul Krugman (W.W. Norton)

Paul Krugman is easily one of the most readable economists of our times. That is, perhaps, the reason for his immense popularity as a writer and columnist. In his latest book, Krugman studies the past 80 years of American history and argues — in a way only he can — how America's post-war middle-class society was not the automatic product of a free-market economy but was born out of the policies of the Roosevelt administration. The golden period, according to him, lasted till the time the Republican administration came to power in the 1980s. This is Krugman in his purest form. ■

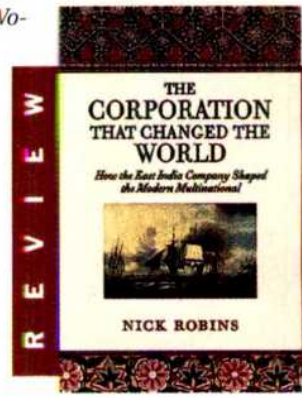
The master

POONAM VASUDEVA

"In order to grasp the mystery of the historical a person has to have a sense of it as deeply as his history, his destiny, situate himself within historical destiny and it within his own destiny...History is the texture of reality, the texture of revelation and redemption."

From Krishna Chaitanya's *The Mahabharata — A Literary Study*

TEXTURE of reality? Revelation? Redemption? Historical destiny? Strange words to associate with a book about the world's first multinational but it offers an excellent prism to understand *The Corporation That Changed The World*. Author Nick Robins takes you to the realm of the East India Company and presents facts and figures that leave you faint with shock. However, it is important to understand the context and the implications of what happened three centuries ago.



THE CORPORATION THAT CHANGED THE WORLD

How the East India Company Shaped the Modern Multinational

By Nick Robins

Pages: 240; Price: Rs 295

How can modern Indians try to contextualise the 'revelation' of a dirt poor England whose greatest achievement was to trade with a hugely wealthy India? How do we contextualise the superbly organised corporate management structure of John Company to their dealings with indolent and debauched *nawabs* and *rajas* of India who sold out their own people? How did this region with the fantastic headstart of the incomparable Indus Valley Civilisation get reduced to a whimpering third world country?

Indians should be passionately interested in the history of John Company for several reasons: first, to link it with the economic life of the nation in the past 350 years and, second, to understand how the impoverishment of the country impacted professional lives such as mine.

I am a textile designer and printer. It is in this role that I discovered that if there ever was a nation of natural born textile designers, it was India. Tragically, this talent was frozen after the machines of England ruled that the Indian hand must stop making the most beautiful textiles the world has known. This great tradition has now been reduced to a silly label termed 'ethnic'. Three hundred years ago it had enthralled the world and had the potential to make the *kaarigars* (craftsmen) of India the owners of factories, design and fashion houses, and training centres.

Instead, we have a huge impoverished community that does its best to survive in a modern world where everything that is original and modern is western and all that is Indian is just ethnic or imitative. Take one example: the artisans and weavers you see in thatched stalls of a Surajkund *mela*, undernourished, underpaid and selling their beautiful fabrics and prints for such absurdly low prices when earlier their designs and fabrics ruled the world. For centuries, theirs were the most coveted items — paid for in gold, not paper money.

Dhaka alone boasted 25,000 weavers and 80,000 women thread makers more than 200 years ago. That's how its fine muslin — an entire sari could be slipped through a woman's wedding ring, it was said — made Dhaka world famous. How was this glorious industry wiped out? Robins relates how the Secret Committee of the East India Company

corporation

NICK ROBINS works in the city of London, running socially responsible investment funds. A historian by training, he has nearly 20 years of experience in corporate responsibility issues, and writes widely for magazines such as *Resurgence*, *New Statesman* and *Ethical Corporation*

and Britain's government set about destroying the most important industry of India to promote their own textiles.

He also offers a startling theory. The dates of the Industrial Revolution, he points out, converge with the time the English spent in India, suggesting that Britain's industrial transformation was financed by the systematic loot of India.

From the 17th to the 19th century, Hindustan was a very big player in global trade, quite like the US today. When the British came, India had a 25 per cent share in the world economy; when they left, they had reduced it to a pitiful 1.9 per cent. This was the result of a systematic looting of the treasuries of Indian monarchies, maintenance charges for armies and weaponry for the petty monarchies always at war. Add to this the income tax paid by the millions of industrious craftsmen along with the land taxes, the 50 per cent produce taken from farmers and trade tariffs paid by countless vendors and you have a staggering figure of the monies drained from India. It was a brilliant operation with the company using a slush fund to keep the English monarchs quiet in return for a free run of an extremely valuable market. Even the wealthy and powerful *baniya* who had connived with the company for a cunningly crafted regime change was destroyed in the process.

In well researched detail, Robins records the corrupt business practices of the company and draws parallels with the way modern corporations operate. His contention is that the practices of John Company laid the groundwork for the modern corporation.

While Robins expresses outrage at the actions of his countrymen, the book also rages with questions that Indians must ask of themselves. Why did Indians allow this loot to take place for almost 300 years? How is it that independent India took on the baggage of corrupt administrative practices and bad laws that it had inherited? Why did it continue with the stifling economic policies of the British government?

This is a slim book, well written and far from intimidating. The only problem I have is with Robins' description of the fraudulent Battle of Plassey as a 'business deal'. It is a view that is hard to defend given the history of treachery that marked the Company's usurpation of Bengal from Siraj-ud-daulah. But this is a minor flaw in an otherwise valuable look at the past in which he holds the East India Company, the British monarchy and English Parliament responsible for the violation of human rights and for the financial ruin of a nation.

For business readers, however, the major interest will be Chapter 2 where Robins shows what a meticulously organised operation John Company was and how it was the forerunner of the modern multinational corporation. But even as an impressive trendsetter, the author condemns it on almost every page. It should make Indians introspect about the absence of native corporate structures and work cultures that are best suited for this country.

The book ends with the passionate words of Edmund Burke who fought tirelessly to get justice for India but lost the battle in the corrupt politics of the time. Robins warns us that monopolistic MNCs spell doom for the human race because they bring unbearable social and financial ruin to the working classes.

The book also highlights the conflicting dynamics of nationalism and the profit motive of business, and shows that this only leads to corruption of evil proportions. Feel the pain. ■

Poonam Vasudeva is the head of Black Tulip Collection, a textile design firm

SELECTION

Stitching lives and designs

LACHHUBEN Raja and Pabiben Soma are Rabaris from the Kutch region. The Rabaris are nomadic pastoralists, deeply rooted in a culture that till recently banned the use of electricity, permanent houses and even kerosene. Both women are masters of a craft that is at the heart of their life and traditions: embroidery. Their needles produce patterns that are vibrant, rich in the native hues of the Kutch and utterly stunning in their profusion of geometric designs. Lachhuben and Pabiben turn out flamboyant, dramatic embroidery that reflects their life and work, and it is the story of such artisans that is captured in *Threads & Voices — Behind the Indian Textile Tradition* (Marg Publications).

Editor Laila Tyabji, founder of Dastakar, a society for crafts and craftspeople, brings together anthropologists, textile historians, designers, folklorists and craft NGOs to weave together a colourful tapestry of some of the famous and lesser known textile traditions of India. These are contemporary stories of traditional communities where textiles served a specific purpose, providing income while fulfilling social rituals.

There are success stories, cases where traditional skills and motifs have conquered the globalised world of malls and designer labels. One such story is the transformation of the rough Kutchi shepherd's blanket into chic designer shawls and stoles. Another is the rebirth of khadi, the cloth of the freedom struggle, as an upmarket fabric favoured by the urban elite.

Interestingly, some of the most evocative and well researched pieces are by foreign writers, and Tyabji notes that people from other lands find the potential of traditional weaves more alluring than do most Indian designers and entrepreneurs. That's a pity because the wealth of our textile traditions deserves more attention and care. ■

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Company: CSC India Pvt. Ltd.
Profile: The Technical Architect is primarily responsible for the creation of a 'best-fit', robust and scalable architecture and technical design that is in line with stated functional and non-functional product requirements.
Exp: 7-12, ocation: Chennai
Email: yjayaraman@csc.com

Post: Sr Manager- Service Delivery

Company: IBS Software Services Pvt. Ltd.
Profile: Shall have 12-22yrs of experience in Software Industry with around 2-5 years Project Management and service delivery experiences. Knowledge of airline domain will be an added advantage.
Exp: 12-22, Location: Trivandrum
Email: ajithm@ibsplc.com

Post: Technical Manager

Company: Ling Technologies
Profile: Shall have an ability to network cross-organizationally with Engineering, Support, and Product Management.
Exp: 9-14, Location: Bangalore
Email: sunitha@ling-tech.com

Post: Project Manager

Company: Olive e-Business Pvt.Ltd.
Profile: Candidate should be a B.E./B.Tech/MCA with 8+ yrs of total experience including 2-3 yrs in project management. Shall have a good knowledge of Web Application Development.
Exp: 8-12, Location: Delhi
Email: jobs@oliveglobal.com

Post: Project Manager

Company: Sysbiz Technologies Pvt. Ltd.
Profile: Will have to manage the project both in terms of people as well as technology.
Exp: 8-12, Location: Chennai
Email: hr@sysbiz.net

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Company: Rasna Pvt. Ltd.
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Exp: 10-15, Location: Ahmedabad
Email: careers@rasnainternational.com

Post: Assistant Vice President

Company: Axis Bank
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Exp: 9-11, Location: Delhi/NCR
Email:
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Post: General Manager- Commercial & Administration

Company: Bagalkot Udyog Ltd.
Profile: Would be a CA or B.COM with MBA having held a similar position with a Company having a sales in excess of Rs 100 crores.
Exp: 15-20, Location: Bagalkot
Email: hr2bul@esw.co.in

Post: Area Accountant

Company: Larsen & Toubro Ltd.
Profile: Required a ICWA with more than 12 years of exposure in Accounting of Receivable/Payable Debtors control and credit management Cash and Banking Operation
Exp: 12-15, Location: Chandigarh
Email:
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Post: Manager- Contracts

Company: Tata Projects Ltd.
Profile: Shall have the knowledge of Contractual deliverables in a power project, dispute Resolutions, local and international trens in contract Management.
Exp: 10-20, Location: Saudi Arabia
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Company: Larsen & Toubro Ltd.
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Exp: 8-13, Location: Jamnagar
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Post: Vice President- Projects

Company: MSPL Ltd.
Profile: Responsible for Liaisoning with all st tory bodies as well as public relations, contr Finalization of contracts with vendors, pr implementation, wind park performance as ment, exploration of new potential wind sites
Exp: 15-20, Location: Hospet
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Post: Legal Manager

Company: Paras Build-Call Pvt.Ltd.
Profile: Would be a L.L.B. with 8 to12 years ex ence in real estate/property matters and ha knowledge of property laws.
Exp: 8-12, Location: Gurgaon
Email: http://eapps.naukri.com/app.php?id=0

Post: Head- Legal

Company: Vascon Engineers Ltd.
Profile: Would be responsible for Land acquisi Legal documentation (drafting & finalizing), F tionship Management (Internal & External) an aison.
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: 10-12, Location: Belgium
ail: kartik@ashokiron.com

t: Sr Manager- Agency Sales

npany: Kabra Extrusion Technik Ltd.
file: The ideal candidate would be having 10
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idently.
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ail: trinath@kolsitegroup.com

t: Vice President- Sales & Service

npany: Kirloskar Oil Engines Ltd.
file: The ideal candidate will have relevant
lifications along with the prior working ex-
ure in the similar profile.
: 15-25, Location: Pune
ail:
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npany: Labh Group of Companies
file: Candidate must have a vast knowledge
nachinery manufacturing. Should have a
nd knowledge of assembly, machining and
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wledge.
: 7-12, Location: Ahmedabad
ail: hr@labhgroup.com

t: Head- HR

npany: Metalman Industries Ltd.
file: The candidate should have an experi-
e of 15 years in recruitment. The candidate
uld be an MBA graduate in HR from repu-
le B-School
: 15-20, Location: Indore
ail: careers@metalman-india.com

t: General Manager- Exim

npany: Welspun
file: Looking for a Bachelor of Engineering
M.B.A along with an experience of 15-20
rs in the similar profile.
: 14-20
ation: Mumbai
ail: ruchi_paliwal@welspun.com

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Post: General Manager- Business Development

Company: The Sandesh Ltd.
Profile: Candidate with Post Graduate Degree or Diploma in Business Administration or Marketing Management with minimum 8- 10 years of experience in Circulation Development in Print Media industry
Exp: 8-10, Location: Ahmedabad
Email:
http://eapps.naukri.com/app.php?id=0482

Post: Business Development Director

Company: Rhythm Mobile Media Pvt. Ltd.
Profile: Required an MBA degree & a very strong academic track record. BD experience in any of mobile, advertising, consumer internet, digital media.
Exp: 7-12, Location: Gurgaon

Email: indiahr@rhythmnewmedia.com

Post: Regional Head

Company: Bracecorp Publications Pvt. Ltd.
Profile: Applicants should have at least a 5-year experience in print/service industry at the managerial level. They should also have at least 7 years of total work experience, with 3 years at the last job.
Exp: 7-10, Location: Chennai
Email: careers@bracecorp.net

Post: Head

Company: Business Standard Ltd.
Profile: Should be proficient in developing CMS based websites with oracle Database. Will have to integrate the entire publishing system.
Exp: 7-9, Location: Mumbai
Email: recruit@bsmail.in

Post: Business Head

Company: cellcast Interactive India Pvt Ltd.
Profile: Shall have excellent Client Managing Skills to manage our various business verticals. Managing clients creative & media needs.
Exp: 10-15, Location: Mumbai
Email: deepali@cellcast.in

General

Post: Naval Architect

Company: Arab Shipbuilding & Repair Yard Co.
Profile: Shall have a Degree in Naval Architecture Will draw and understand drawings & specifications.
Exp: 10-12
Location: Bahrain
Email: recruit@asry.net

Post: Principal Consultant

Company: Gallup, Inc.
Profile: Will need to have 10 to 12 years of demonstrated experience in leading market research/ customer research or branding assignments
Exp: 10-12
Location: Mumbai
Email: pronoy_dutt@gallup.com

Post: Head- Administration

Company: GD Birla Memorial School (Boys' residential)
Profile: Would review syllabus completion, Review teachers' work, performance appraisal, making timetables, organize cultural & sports events, oversee hostel & mess operations etc.
Exp: 10-20
Location: Ranikhet
Email: jayant.sogani@manjushreeinfotech.com

Post: Enterprise Architect

Company: HCL Technologies
Profile: The candidates must possess high degree of soft skills to build relationships and communicate with senior management of the customer organizations.
Exp: 14-22
Location: Bangalore
Email: poonam.gupta@naukri.com

Post: Head- Procurement

Company: Ozone Group
Profile: Shall have the knowledge of latest materials.
Exp: 8-10, Location: Bangalore
Email: blr_projects@ozonegroup.com

Post: Head- Commercial & Supply Chain

Company: Sresta Natural Bioproducts Pvt. Ltd.
Profile: The candidate should be good at execution with an eye for detail. Should have at least handled regional responsibilities in SCM / Commercial functions.
Exp: 12-16, Location: Hyderabad
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Prepare for a deluge

THE cotton crop is coming in now, and nothing can prevent it from being a bumper crop. Last year's crop of 27 million bales was itself large; this year we are likely to harvest 6 million bales more. Cotton prices have been softening for some time in the expectation of a good year.

What will happen next is predictable. As in any normal year, some Vidarbha farmers will commit suicide. MLAs from Vidarbha will rush to the chief minister of Maharashtra, asking him to give their farmers subsidies. There was a time when Maharashtra used to operate a monopoly procurement scheme for cotton. If it fixed a price that was below prices elsewhere, its farmers smuggled cotton out of Maharashtra; if it fixed a price that was too high, traders smuggled cotton into Maharashtra. If it sold cotton at high prices, no one bought from it and it was left with unsold stocks. After much expensive experimentation, the Maharashtra government realised that it was impractical to enforce monopoly procurement unless it could secede from India.

India's cotton output exceeds its needs by so much that it cannot but export; and that means creating a free, unprotected market in it

BLOOMBERG

There are ways of giving farmers subsidies without having to monopolise procurement. But Maharashtra, the country's most prosperous state, has one of its most bankrupt governments, so Vilasrao will plead inability to spend money on subsidies.

Then he will have the usual brainwave. He will collar Sharad Pawar, the strongman of Maharashtra, and ask the big brother to do something for his state. Mr Pawar will come back to Delhi and ask his bureaucrats to ban cotton imports. But then, prices in this country are no higher than import prices, so banning imports would do nothing to lift them. Somehow, supply has to be reduced; and Mr Pawar has a ready solution for that also. He will ask Cotton Corporation of India to buy up cotton. That will lift prices, and please farmers of not only Maharashtra but also of Andhra Pradesh and Tamil Nadu. The more friends CCI makes, the better for the minister of agriculture — especially since the voiceless taxpayer pays the cost.

There is only one problem with this solution. India's cotton production has grown so much in the past five years that it can no longer be consumed at home. India needs an export market. That is no problem. China increases its dominance of the world textile market year by year; the more cloth it produces, the more cotton it needs. So, it has become a large importer, and would be happy to take all the cotton that India can spare.

But it is not going to pay the price of Pawar's choice. For its market, India has to compete with the US and Pakistan. So Cotton Corporation must either predict the export price and buy cotton at a price no higher, or it must prepare to run losses. And if it makes losses, Pawar will have to go to P. Chidambaram and plead for a subsidy. The finance minister is not very sympathetic to such frivolous demands, especially from a minister who left the Congress and has not yet returned to it.

The problem has a simple solution: remove all restrictions on domestic sale and purchase as well as on imports and exports of cotton. Then as India's surplus increases, its prices will fall relatively to prices abroad, and the surplus will find a market abroad. The cotton crop comes only twice a year, and may bring down prices momentarily. But traders will see an opportunity, buy the surplus, and export it over the year. India can then smoothly fit into the world market.

But this requires that all government restrictions on cotton be removed; and that will leave Pawar without anything to do. Can he countenance inaction? He has had a long and successful career as an actor. Whenever farmers or traders came to complain to him, he was always ready to listen to their complaints, and to put in the restrictions that suited them. Can he actually lay off? What will he do if he does nothing?

It is not a welcome prospect, but there is one argument that might just conceivably convince him. Whatever he does will get him into trouble. There are no universally pleasing solutions to the problem of a chronic surplus; a country that cannot help producing a surplus has no alternative to exporting, and exporting means accepting the international rules of the game.

So non-interference will not bring Pawar influence and power; but it will prevent him from getting a bad name. If this argument does not convince him, he should only look at sugar. There too he has been trying to manage a huge domestic surplus and making himself increasingly unpopular doing so. There the surplus is so huge, and government interference so comprehensive, that Pawar cannot extricate himself easily. But he can from cotton, and he would be wise to do so. ■

SPECIAL ISSUE Rs 10

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Businessworld

Rough Riders

How India's second-tier IT companies are braving choppy times

Clockwise from top left
Arun Jain, Polaris
Arvind Thakur, NIIT Technologies
Atul K. Nishar, Hexaware
Vishnu Dussad, Nucleus Software
Phaneesh Murthy, iGate

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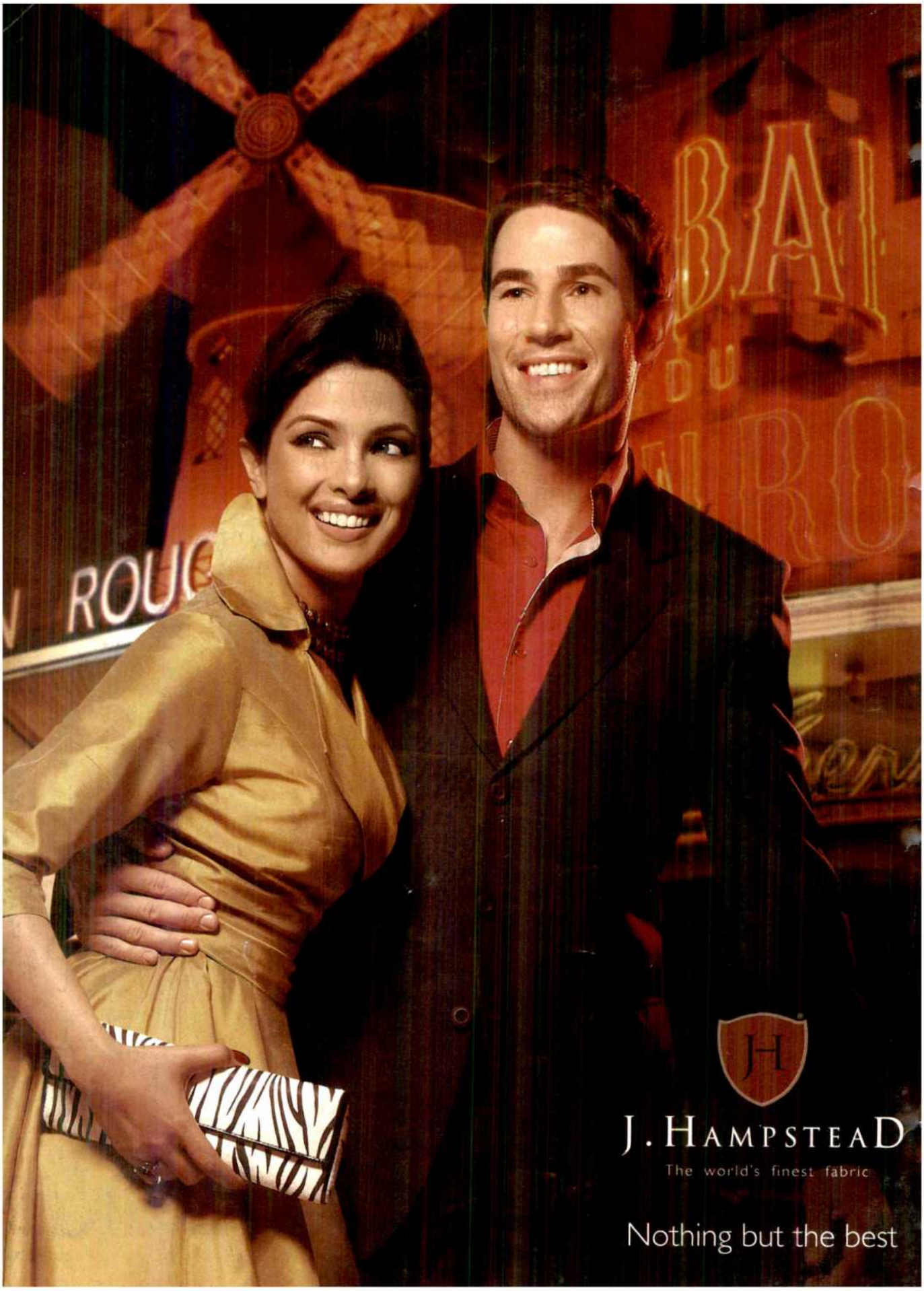
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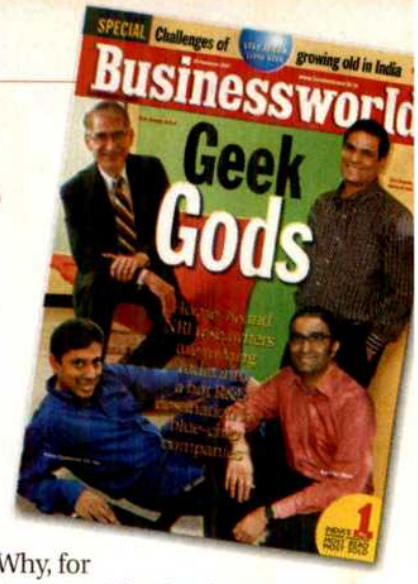
Ripe interest



❑ Your cover story 'Geek Gods' (*BW*, 26 November 2007) is timely, given that international companies are evincing keen interest in the R&D sector. It was interesting to know how Indians are making their name in this sphere. The story gives good insights into new practices and changing environments, which is helping bring about an R&D revolution in India. However, what I felt the story lacked was in doling out information on actual spends on R&D. Why, for instance, the spend is so low despite high potential. What begs the question, therefore, is: why would the growth figures for R&D spend be high, when they are actually on a very low base? The 'Geek Gods' may be making their appearance in India, but there should be enough funding available to keep them here for good. That remains to be seen.

Kavya Gupta, *via e-mail*

SEEING RED

It is indeed sad that the West Bengal government ('The Left's Waterloo?', *BW*, 26 November 2007) has given a free hand to the CPM cadre to do what they wish. Most unfortunate is the fact that the issue has moved beyond farmers' protests and it is now a political battleground for the Left, Trinamool and the Jamiat Ulema-e-Hind. In the process, the real issues of industrialisation and farmers have taken a back seat. The government needs to address the situation immediately before it gets completely out of hand.

Bal Govind, *via e-mail*

CULTURE SHOCK

I could easily relate to your case study ('Made in India' *BW*,12 November 2007). Having worked in India for five years and then in the Netherlands for more than six years, I can relate to the plight of the protagonist. I still remember being chided for being 'too polite'. In today's globalised world, culture related issues faced by people working in MNCs are bound to surface — and assimilating the culture is the key.

Chhavi Parikh, *via e-mail*

CORRIGENDA

In 'The Next Wave' (*BW*, 26 November 2007), the International Finance Corporation (IFC) has been incorrectly termed as the private equity arm of the International Monetary Fund. The IFC is the private sector development arm of the World Bank Group.

In 'Fluttering Birds' ('Flight or Fancy', *BW*, 26 November 2007) the expected launch dates of Air Dravida and MDLR were incorrectly presented as early 2007. The expected date of lauch is early 2008.

The errors are regretted.

The letters have been edited for brevity.

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in this issue

THE MID-RUNG WARRIORS: (Clockwise from top left) Polaris's Arun Jain, NIIT's Arvind Thakur, Hexaware's Atul Nishar, Nucleus's Vishnu Dusad and iGate's Phaneesh Murthy

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Cover Design: Jyoti Thapa Mani
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Internet Affairs: Parents are finding innovative ways of monitoring the surfing habits of their children.

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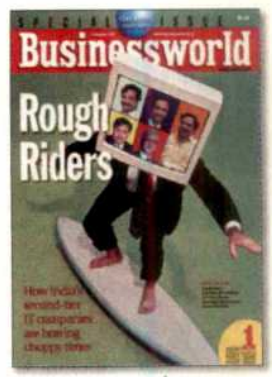
Capricious IT

IT'S hard to believe that India's booming information technology sector could find itself in such a hapless situation. A hardening rupee has caught the nation's second largest forex earner completely off guard. Employee attrition is worsening the industry's plight. Margins are also under pressure and shareholders have already started expecting the worst in coming quarters.

The bad news runs right through the industry. At one end of the spectrum are Tier-I companies such as TCS, Infosys and Wipro. Dwindling investor confidence is reflected in their share prices, which are languishing at 52-week lows. At the other end of the spectrum is a burgeoning graveyard of IT entrepreneurs — a host of small IT companies shutting shop across the country. Caught in the middle are sub-Rs 1,000-crore IT companies that remain vulnerable to the situation and aren't yet large enough to go global to other low cost destinations.



This week's cover story by Associate Editor K. Yatish Rajawat is about the trials and tribulations of these mid-tier IT companies and their strategies for survival. While the IT biggies have tried to counter the piquant situation by broadening their presence across industry verticals, tier-II companies have been forced to either downsize their offerings or become niche players. Others have ventured into the domain of product and product-related services where returns can be high but capricious.

These companies' ride through this turmoil may hold pearls of wisdom for a clutch of other IT companies that have yet to find an answer to their own travails. Importantly, neither the government nor industry bodies such as the National Association of Software and Service Companies (Nasscom) have been able to fathom the enormity of the situation. Or, at least, they haven't been proactive yet.

A few other must-reads in this issue are: On page 54, check out why the Reliance Industries stock continues to head northwards, despite a series of setbacks for the company. And on page 28, how Nandigram is the barometer of a looming battle industrialisation will have to fight against the farmers. Not to miss on page 72, how the organised players' imminent entry will shape pharma retailing in India.

Rajeev Dubey, Deputy Editor

ESSAR OIL

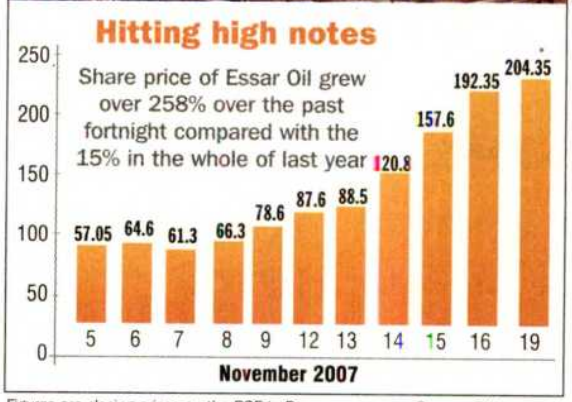
Rush for the oil gush

Money drives sudden rush to raise the game; Jamnagar capacity set to triple

THE 250 per cent jump in Essar Oil's stock over a fortnight has confounded company watchers. The company had planned to triple its 10.5-million tonne capacity in its Jamnagar refinery with a $6-billion investment. But that was hardly the reason for the stock to make the spectacular climb. *BW* learns that the market got wind of the Ruias' decision to pump in $2 billion — of the $3.5 billion raised abroad using Vodafone-Essar stock as collateral — as owner's equity into an issue of global depository shares (GDS) by Essar Oil (the remaining $4 billion will come from other investors in the GDS). The buzz was that Essar would invest this amount at Rs 200 a share through its Cayman Islands-based holding company Essar Global. This price was at a huge premium over Essar Oil's share price on BSE of Rs 57 on 5 November. Over the next fortnight, the market ramped up the price to Rs 200 a share, in fact, exceeding it by Rs 4 on 19 November.

With its rival, the 27-million tonne Reliance Petroleum (RPL), being valued at $20 billion, it's hoped that Essar Oil's expansion will match that kind of valuation, one that could feed even bigger and more ambitious plans, such as building a special economic zone.

BLOOMBERG



Figures are closing prices on the BSE in Rs

Source: *BW* research

The sudden rush to raise the game stems from both monetary and operational imperatives. First, a refinery that can refine both heavy and light crude could play a significant part in transforming Jamnagar into Asia's refining hub: meaning lots more money. Second, significantly larger refining capacity can improve the Ruias' bargaining power in world crude markets. Third, they could sell a stake in Essar Oil — perhaps part of Essar Global's GDS — to an international partner. (The Ambanis sold a 5 per cent stake to the US oil company Chevron recently.) That could help shift sales from domestic to high-margin exports, and a partner who could give them access to global markets.

That's a far cry from a decade ago, when the Ruias were running from pillar to post to stay afloat, under pressure from lenders and with some businesses on the verge of defaulting on their loans. They were also trying to hold on to to their proposed Jamnagar project, one that lenders insisted they shelve unless they could put up owner's equity. Ironically, Shashi Ruia, chairman of the Essar Group, spotted the potential of the location ahead of his rival, the late Dhirubhai Ambani, but was unable to capitalise on it.

So the Ruias — brothers Shashi and Vice-Chairman Ravi — borrowed from family, friends and relatives and put up their equity, and held on to the refinery project, now Essar Oil. Last year, fortune smiled on them. When Hutchison sold its share of the telecom joint venture with Essar to Vodafone, the Ruias' 33 per cent was valued at $6.5 billion, which allowed them to raise $3.5 billion abroad against the collateral.

But the group's shareholders have not been a very happy lot; their returns have not been exactly spectacular. One wonders whether Dame Fortune will smile on them as well this time. ■

BAIJU KALESH

"Tax-law changes have benefited the super-rich group, including me, in a huge way. During that time the average American went exactly nowhere on the economic scale: he's been on a treadmill while the super-rich have been on a spaceship."

Billionaire Warren Buffett, testifying before a US Senate committee in defence of the country's only tax on inherited wealth

DEFENCE DEALS

US-bound

NEW TIES: Russia is India's biggest defence partner. With the US joining the fray, their old relationship is under threat

BLOOMBERG

RUSSIA'S position as a top contender to secure the Indian Air Force contract for the urgently needed 126 multi-role combat jets seems to be in jeopardy, if defence sources are to be believed. The IAF is wary of awarding the contract (the request for proposal or RFP for which was floated in August and said to be worth $10 billion) to Russia as there are concerns that the country may not have the requisite technology and R&D expertise to further develop the platform.

"We believe that the country's military research and development came to a standstill in the years following the collapse of the Soviet Union and that the MiG 35 represents the last of the Russian science," says a source in the defence establishment. "We are just not sure if Russia has the scientific wherewithal to create MiG 37. We don't want to be attached to a dying platform."

However, despite this and complaints of delays, unavailability of spares and cost over-runs, Russia is not giving up easily. It displayed its keenness to hold on to India and unveiled its MiG-35 at the Aero India 2007 airshow in Bangalore earlier this year.

With earnings of more than $1.5 billion a year, Russia still remains India's biggest defence partner. With the US joining the fray, this historically and ideologically rooted relationship is under threat. According to a deal signed by the US and India in 2005, the latter will be able to buy state-of-the-art fighter aircraft such as F-16s and F-18s from the former as part of a closer defence relationship between the two countries.

But with the Left turning antagonistic, the US could easily lose out too, although it could be another two-three years before the negotiations are finalised. For despite concerns about science and technology, it's the political will that plays a key role in any arms deal. ■

SUMATI NAGRATH

$38 bn The money Wall Street's five biggest investment banks are likely to pay in staff bonuses this year, even though the shareholders in those firms have lost about $74 billion in stock declines this year. The bonuses will be split between 186,000 staff at Goldman Sachs, Morgan Stanley, Merrill Lynch, Lehman Brothers and Bear Stearns.

CONCERNS OVER GREENBACK

Decoupling oil and dollar

HERE'S another decoupling theory: oil and the dollar. OPEC oil ministers last week said they were considering invoicing oil sales in currencies other than the dollar, mainly the euro. Their driving concern: inflation and the reduced purchasing power of the dollar. The UAE, Qatar and Saudi Arabia also hold large reserves of the currency.

Iran and Venezuela have long been pushing for delinking oil prices from the dollar, but then, those countries are no friends of the US. In any event, Iran invoices 85 per cent of its sales in currencies other than the dollar. But a move from the dollar to a currency basket — Kuwait did it in May this year — might encourage other countries with large dollar holdings to follow suit.

But will invoicing in another currency change anything? The prices of currencies are relative, and prices of tradeable goods such as oil are relative to currencies.

If oil is $50 a barrel, and $1 = 1 euro, then, in euros oil costs 50 euros. If the euro doubles in value so that $2 = 1 euro, a barrel of oil will cost $100, which is still 50 euros.

What matters are terms of trade — the ratio of export prices to import prices — not changes in currencies relative to one another.

The terms of trade have worsened for America relative to oil producing countries because America is paying double for oil whereas the oil countries can now buy twice as much from America.

But the terms of trade between the eurozone and oil producing countries do not change because one barrel of oil still costs 50 euros. So if the oil producing countries do not want to hold depreciating dollars, they could sell the currency forward for euros in the futures markets.

Saudi Arabia — the pivotal player in OPEC, which also maintains a close relationship with the US — is not likely move out of the dollar; it vetoed an OPEC move to mention dollar concerns in the cartel's post-meeting statement. This decoupling theory, too, comes with several qualifications. ■

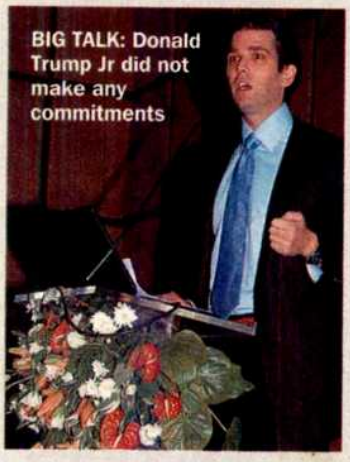
SRIKANTH SRINIVAS

REAL ESTATE

Blowing his trumpet

DONALD Trump Jr came, he saw, but he did not put money where his mouth is. The son and heir of legendary realty developer and TV anchor Donald Trump was the star attraction of a B2B real estate conference, Cityscape, in Mumbai. He expressed dismay at the poor infrastructure and grumbled at having wasted three hours driving one mile on Mumbai's congested roads.

He had plenty of advice for property developers. He urged them to think 'location, location, brand' when trying to attract international



BIG TALK: Donald Trump Jr did not make any commitments

investors. Trump, executive vice-president of development and acquisitions at the Trump Organisation, said Indian developers must strive to meet the expectations of high-networth global investors.

But, does he plan to invest in Indian realty? All Trump Jr would say was that the first Trump project would be up and coming in the next 15 months. But, neither did he make any commitments on the investment, nor reveal any details about location or partnerships. The Cityscape conclave mainly emerged as a platform for Middle-East developers seeking investment opportunities. ■

GURBIR SINGH

TELECOM BPO

Aegis shops

AMIT VERMA

BUYING TO GROW: In the past two years, Essar has acquired six firms

ON the face of it, Essar group owns ships, makes steel, refines crude and connects people in partnership with Vodafone. Behind this diversified business, the Ruias are quietly strengthening their information technology-enabled services (ITES) business by expanding the business process outsourcing (BPO) vertical to make up for the opportunities they lost in the IT space in the 1990s. Then, the group was struggling to stay afloat in manufacturing businesses.

Last week, Aegis, the ITES arm of the group, acquired Teletech Services, a BPO company jointly promoted by Bharti Group and Teletech of the US, for Rs 55 crore. The deal has catapulted Aegis to the market leader's position, with a 35 per cent share in the telecom BPO space of customer lifecycle management, says Aparup Sen Gupta, MD and CEO of Aegis. Its rivals First Source and IBM-Daksh have 15-20 per cent share.

The deal added India's largest cellular player Airtel as a client to the $180-million company, which is in a hurry to achieve a business size of $500 million in the next 24 months. The company executes back-end work for three of the top 10 global telecom companies, five of the top 10 Indian telecom players and a host of financial service and healthcare companies. With five million subscribers being connected a month, Aegis expects the business to grow at 20 per cent a year.

Essar's ITES business has always grown through acquisitions. In the past two years, the company has acquired six firms in India and abroad. It has nine centres in the US and 11 in India with 5,000 employees. Gupta believes with a global delivery model, US companies would award more jobs, saving them $20 to $25 an hour. ■

BAIJU KALESH

TOP SPENDERS Top 10 global spenders on advertising

Rank	Advertiser	2006 worldwide ad spend	% change
1	Procter & Gamble Co.	$8.52 bn	4.1
2	Unilever	$4.54 bn	8.1
3	General Motors Corporation	$3.35 bn	-17.1
4	L'Oreal	$3.12 bn	12.7
5	Toyota Motor Corporation	$3.10 bn	9.1
6	Ford Motors Co.	$2.87 bn	8.5
7	Time Warner	$2.13 bn	-13.8
8	Nestle	$2.11 bn	0.2
9	Johnson & Johnson	$2.03 bn	-13.2
10	DaimlerChrysler	$2.00 bn	-5.4

Source: Ad Age's 21st Annual Global Marketers report

CINEMASCOPE

Sahara's new star

POLITICAL circles in Delhi and the Bollywood grapevine in Mumbai are buzzing with speculation of the Sahara family seeking new alliances. There appear to be cracks in the inseparable triumvirate of Subrata Roy Sahara, Amitabh Bachchan and Amar Singh.

Subrata Roy put out the signal loud and clear when he hosted a Dawat-e-Dosti for the Indian and Pakistani cricket teams in Lucknow on 12 November. His chief guest was Shah Rukh Khan, who was flown in as Roy's private guest for the evening. But missing from the star-spangled event were two of his closest buddies — Big B and his constant companion, Amar Singh. Also among the prominent invitees was Congressman and SRK associate Rajeev Shukla.

Another indicator difficult to miss was Subrata Roy's handing over of Lucknow Dawat-e-Dosti's event management to the Morani Brothers, seen to be close to SRK. Amar Singh and the event company were involved in a well-publicised spat three years ago over a perceived snub meted out to the former over seating arrangements.

There have been other signs, too. Amitabh Bachchan, who was always the Sahara Group's chief publicist, was not to be seen in the latest advertisement campaign of Sahara Homes. Subrata Roy is obviously coming to business terms with political realty. The Congress and the Gandhi family have made their antipathy clear for both the Bachchans and the Samajwadi Party crowd. As a non-banking finance company, the Sahara Group has been facing problems with the RBI; and with Mulayam Singh and Amar Singh having lost the UP elections, Roy's isolation had gotten worse. Difficult times call for difficult decisions. ■

GURBIR SINGH

ABP

NEW ROLES: Star-struck Subrata Roy Sahara may be ditching Big B for SRK

AP

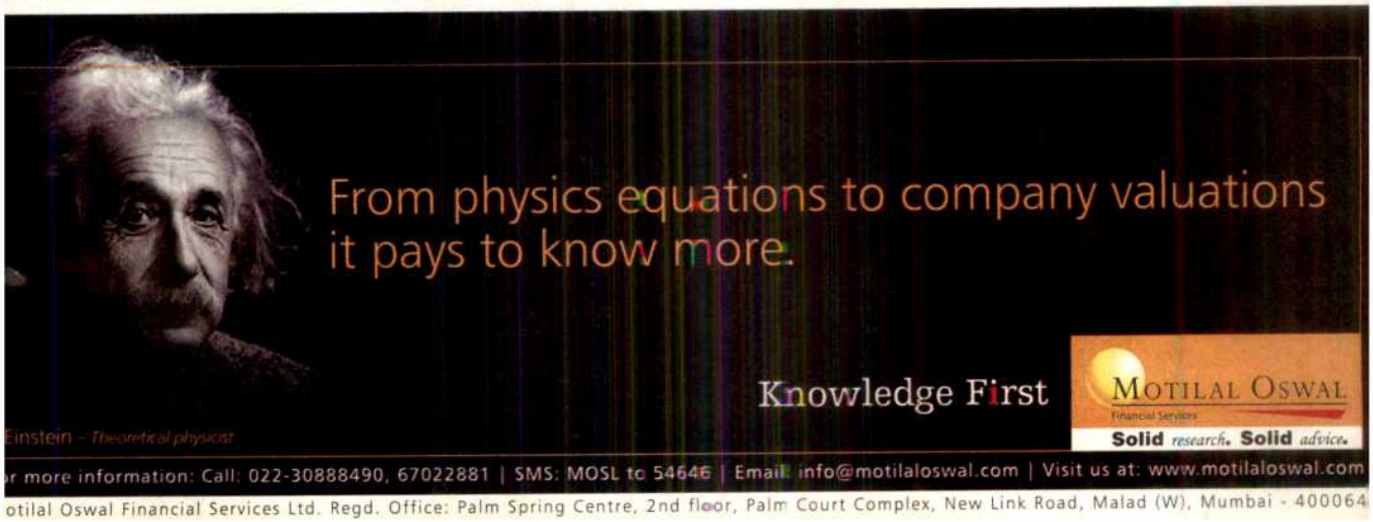
MAYOR IN TOWN

London comes calling

KEN Livingstone, Mayor of London, was in the country recently to hard sell the city as a preferred destination for tourism, trade, creative industries and education. Although India accounts for the second highest number of inward investment projects into London, there still remains a huge gap between it and the US, which is the leader by far.

"The Reliances and the Tatas of India are always looking to make investments abroad; it is the smaller medium scale businesses that we are looking to entice," says Michael Charlton, chief executive of Think London, the FDI agency for London. According to a recent PricewaterhouseCoopers report, the potential for FDI in the UK is $80 billion till 2012. "While the Olympics is a component of this growth, it accounts for only 10 per cent of this potential," says Charlton. Most Indian companies in London come from the technology, financial services and creative sectors, leaving the field open for first movers in the infrastructure and related sectors. ■

SUMATI NAGRATH



AVIATION

Flying low

THE low-cost carriers have launched another round of low fares — albeit through promotional schemes. Air Deccan has announced free tickets (only taxes are charged) on some routes. SpiceJet offered Rs 100 off on all tickets during the festive season coinciding with Diwali.

The move comes when full-fare airlines such as Jet Airways and Kingfisher have been crying hoarse that over-capacity on some routes and ultra-low fares are damaging the financial health of the industry. Rising ATF prices are not helping balance sheets either.

GROUND REALITY: The low fares do not impinge on balance sheets

SUBHABRATA DAS

In fact, after picking up a 26 per cent stake in the loss-making Air Deccan, Kingfisher had raised fares by Rs 500 and more on most flights. The rest of the low-cost pack, which had been bleeding heavily on the ridiculously low fares, responded promptly with correction in ticket prices.

The latest schemes, the low-cost carriers say, do not impinge on their balance sheets as the seats on offer would have gone unsold. The schemes will run during the approaching three-month lean season starting January. "The Re 1 tickets do not make business sense and are off," says Nalin Gagrani, marketing head of Air Deccan. ■

PUJA MEHRA

TATA'S SMALL CAR

Ready to roll

SUBHABRATA DAS

NO SMALL EVENT: The car will be out in June

DEALERS across the country are tweaking their parking space and enhancing their information systems to handle Tata Motors' Rs 1-lakh small car. But none has the privilege of seeing the model, say dealers *BW* spoke to during the week. The company has informed its dealers to expand their showrooms and open more outlets.

Dealers have been asked to open three to four new outlets in metros and fewer in non-metros to accommodate the small car. Additional 15-20 outlets for Tata Motors are likely to come up in Mumbai. The dealers have been told that the small car would be trucked out in June after unveiling at the Auto Expo in January 2009.

The company is planning to begin its sales in a gradual manner to meet production capacity. A dealer from South India says he expects a mad rush for bookings, similar to that for Indica, which saw 250,000 bookings on the day of its launch in 1999. "We have developed space to sell 1,500 cars a month from 300 now," says a Tata Motors dealer. "We are also investing in our software to accommodate the rush." The company has still not officially communicated to its dealers the guidelines to sell this car. "We have space to park up to 50 cars in our showroom and 500 in our stock yard," says another dealer in Mumbai. "We are preparing ourselves as, unlike other models that rake in high margins, this car could be a volume game," says a dealer in Kerala. ■

BAIJU KALESH

R.K. KUSHWAH

Relatives of the Uphaar cinema fire victims

A LONG WAIT

Earlier this week, the Delhi High Court convicted the owners, several managers and even a security guard for negligence a decade after the Uphaar cinema fire. The incident holds many ironies. The cinema hall had just been renovated. The transformer that caused the fire had been repaired that morning. When the smoke from the fire started filling the hall, the patrons believed it was some special effect. Fifty-nine people had died from asphyxiation. Another 103 were injured.

TRIBHUVAN SHARMA

TURBANATOR: The Tata Teleservices deal could be the entry point for Virgin into India's booming mobile market

BRANSON & THE TATAS

The gaudy and the grave

IF Richard Branson, the flamboyant founder and chairman of the UK-based $20-billion (Rs 80,000 crore) Virgin group, has his way, Virgin Mobile could be a reality in India soon.

Branson has admitted that Virgin has found a partner in India. Since it is not possible to be a mobile virtual network operator in India, Virgin is looking at doing the branding and marketing exercise for Tata Teleservices.

In all likelihood, Virgin could run marketing outlets for Tata Tele. This could be the entry point for Virgin into India's booming mobile market, which has over 200 million mobile subscribers and adds seven to eight million new mobile subscribers every month. At a later stage, it could also launch Virgin mobile handsets in the market.

While Virgin is definitely interested in the mobile space, it is not clear whether Branson will pick up an equity stake in the venture.

The venture with Tatas will be quite interesting. That's because it will bring together the suave Tatas and the maverick Richard Branson. It remains to be seen how this association plays out with the two groups being so different. Virgin is already present in India through its airline and radio businesses.

Virgin's overture to the Tata Group can be seen in the background of Vodafone, its rival in the UK, getting into the Indian market by taking over Hutch's stake in Hutch-Essar. ■

BW BUREAU

EMPOWERING FARMERS

Landmark law

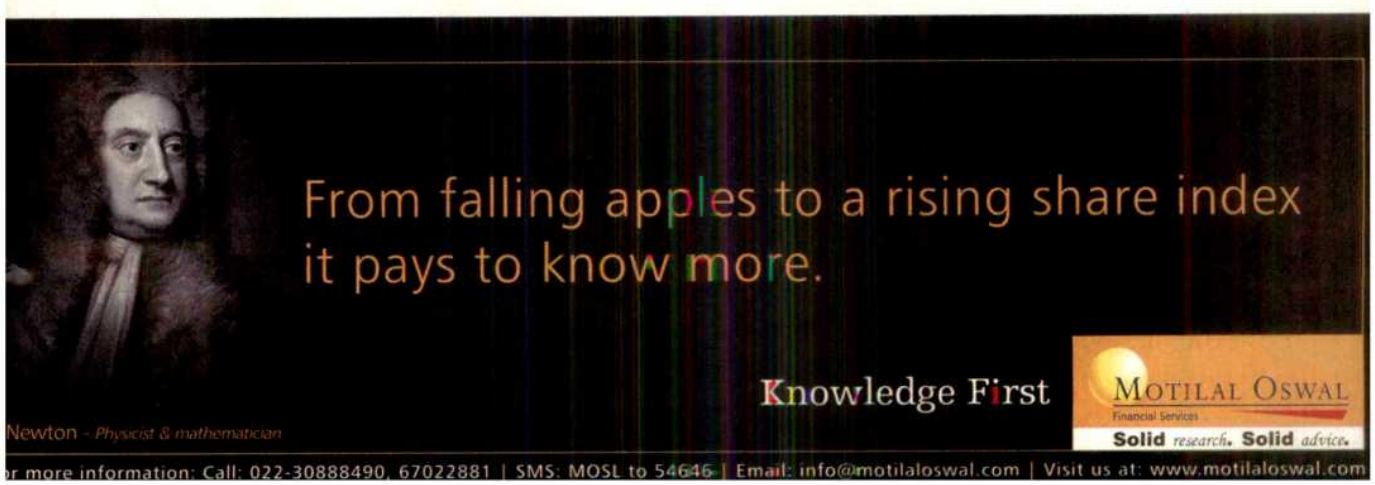
THE government plans to introduce the concept of land-share companies to help small farmers come together and own stakes in farming ventures. Farmers can pool their land into one company and lease it out on a fixed rent. They can also float the company in partnership with a corporate.

The move — based on the recommendations of a committee headed by agriculture minister Sharad Pawar — is aimed at removing the ills of corporate farming, where farmers are alienated from their land and complete control goes to the companies.

The committee has recommended that the farmers should be the largest owners of the company, with a provision to give up to 25 per cent of the paid-up capital to agro-processing or trading units. The shares of the company can be transferable among farmers but cannot be traded publicly.

The management of the land-share company will lie with an elected board of directors, similar to that in co-operatives. This will prevent a takeover by corporates or other non-farming interests. ■

VISHAKA ZADOO



M&A Keep pace with the latest news and deals in the Indian and Asian merger and acquisition markets with the *BW* fortnightly M&A Tracker

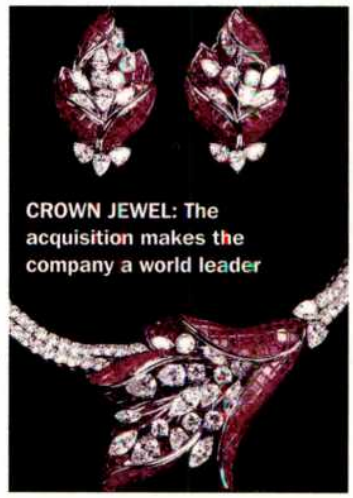
Geetanjali Gems cuts a fine deal

FEAR of a recession in the US is throwing up opportunities for Indian companies to connect with customers in the world's largest economy. Gitanjali Group Chairman Mehul Choksi has moved fast to exploit this fear by acquiring jewellery chains.

Last week, the four-decade-old Rs 2,500-crore integrated diamond and jewellery maker and retailer acquired Roger Jewellers, one of the oldest family-run jewellery chains in the US for $20 million (Rs 80 crore) — one-fourth of Roger's annual sales of $80.6 million.

The deal connects Choksi to 46 stores in 11 states. It also holds the prospect of increasing the profit margins by as much as three times to 18 per cent from the present 6 per cent, given the sheer cost advantage India offers.

Roger Williams perhaps sold itself cheap as its profit margins of 3-4 per cent were being further hit by buyers preferring to shop for household items and housing loans instead of jewellery. Last year, Choksi had tasted success by buying Samuel Jewellers, yet another US retail chain. Both deals together have made Gitanjali Group the world's largest and only fully integrated diamond jewellery retailer, giving it a commanding position in the US market. The US accounts for almost 35 per cent of the global jewellery market.



CROWN JEWEL: The acquisition makes the company a world leader

The acquisitions make sense for Gitanjali as 55 per cent of the US jewellery market comprises studded jewellery, where the Indian company has manufacturing expertise. The latest acquisition gives Gitanjali complete control of the entire supply value chain and the benefit of cost-efficient sourcing and deeper control of marketing and merchandising.

Choksi says a robust retail network is the lifeline to connect with the end-consumer, thus completing the whole supply chain. He would prefer to keep both brands intact as 30 per cent of their current sales accrue from repeat customers. He says he is hungry for more such acquisitions as recession fears mount in the US. ■

BAIJU KALESH

BW-Thomson Financial M&A Tracker

November The Asian M&A market saw 6,487 deals worth $281.074 billion as on 19 November 2007. With 924 deals worth $39.53 billion, India was the fourth largest market after China, South Korea and Hong Kong. India's top 10 deals of the 4-17 November fortnight were worth 255.48 million.

Top 10 Asia deals

TARGET	ACQUIRER	DEAL SIZE ($m)	STAKE (%)
Nufarm Ltd	Investor Group	3,342.85	Merger
National Foods Ltd	Kirin Holdings Co	2,595.04	Merger
Taiwan Semiconductor	Taiwan Semiconductor	1,527.23	Buyback
TMB Bank	ING Groep NV	1,283.66	NA
Zhongshan Public Utilities	Zhongshan Public Utilities	1,277.02	Merger
Shenyu New Energy	China Grand Forestry	821.83	Merger
Prysmian.	Taihan Global Luxembourg	570.98	NA
Star Energy Group	Petronas International	566.87	Merger
Shanghai Deluxe Family	New Wise Science & Tech	547.14	Merger
South China Highway Dvlp	Macquarie Intl Infras	532.37	90

Top 10 India deals

TARGET	ACQUIRER	DEAL SIZE ($m)	STAKE (%)
Gitanjali Gems	Investor group	79.47	NA
iGATE Global Solutions	iGATE Corp	44.56	NA
Triplex-Kelton Group	Amtek Auto	40.00	100
Hotel Royal Orchid Central	Icon Hospitality	20.87	100
Roger Jewellers	Gitanjali Gems	20.00	Buyout
Walsons Services	Securitas AB	16.99	100
TeleTech Services India	Aegis Communications	13.00	100
Pana Textil GmbH	Faze Three Exports	8.42	76
TES-PV Electn Solutions	MindTree Consulting	6.55	Merger
Picnic Marine	Picnic Corp PCL	5.59	NA

Figures for 4-17 November 2007

Building muscle

SWEDEN'S Securitas AB, the world's largest provider of security guards, has finally got a foothold in the rapidly growing Indian private security business. It recently acquired 49 per cent stake in Walsons Services for $17 million or Rs 66.72 crore. Securitas AB recorded sales of $8.35 billion last year.

Walsons Services is India's fourth largest security services firm that employs some 6,500 people and notched sales of Rs 47.5 crore in the last financial year. It was started in 1996 by Arjun Wallia, who returned to India in 1995 after a brief stint at Ford's London office as a management trainee. At present, the company has a presence in nine regions in the country and holds a high-quality contract portfolio with majority of businesses in the information technology, finance and insurance sectors.

In a press statement following the 49 per cent acquisition, Securitas said the Indian securities market was estimated to be worth about 3 billion Swedish kronor or Rs 1,870 crore and expected to grow by at least 20 per cent annually over the next five years. According to Alf Goransson, president and CEO of Securitas AB, besides a strong foothold in the fast growing Indian security services market, the acquisition also opens for his company the possibility to service its multinational clients in the country. Securitas is listed on the Stockholm Stock Exchange and claims a world market share of 12 per cent in the guarding business. Another division of the company that specialises in cash handling services, Loomis, has a market share of 19 per cent in the US and Europe.

BLOOMBERG

STRONGER, SAFER: Walsons Services is India's fourth largest security services firm

In India, the largest provider of private security is Group 4 Securicor, which employs over 85,000 people. This company, listed on the London Stock Exchange, too has foreign ownership and globally employs some 500,000 people.

Wallia, who calls his security guards Marshals, has also got his company ISO 9000:2001 certified. His Marshals provide security even to VIPs, celebrities and other high-profile individuals, besides business houses. ■

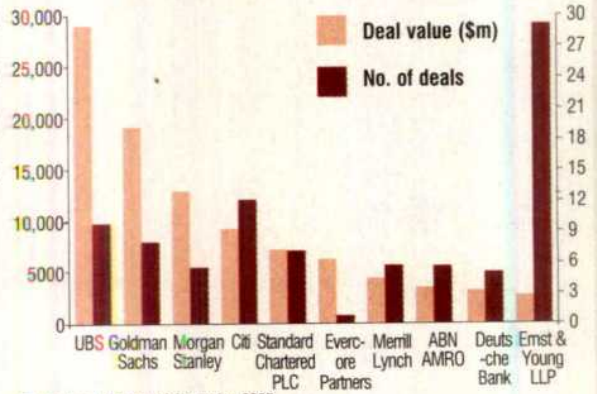
BW BUREAU

For feedback and comments, write in to dealtracker@bworldmail.com

Top 10 Asia markets

Figures for 1 January-19 November 2007

India financial advisory rankings



Figures for 1 January-19 November 2007

League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Note: Figures are based on ultimate parentage, meaning that an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date.

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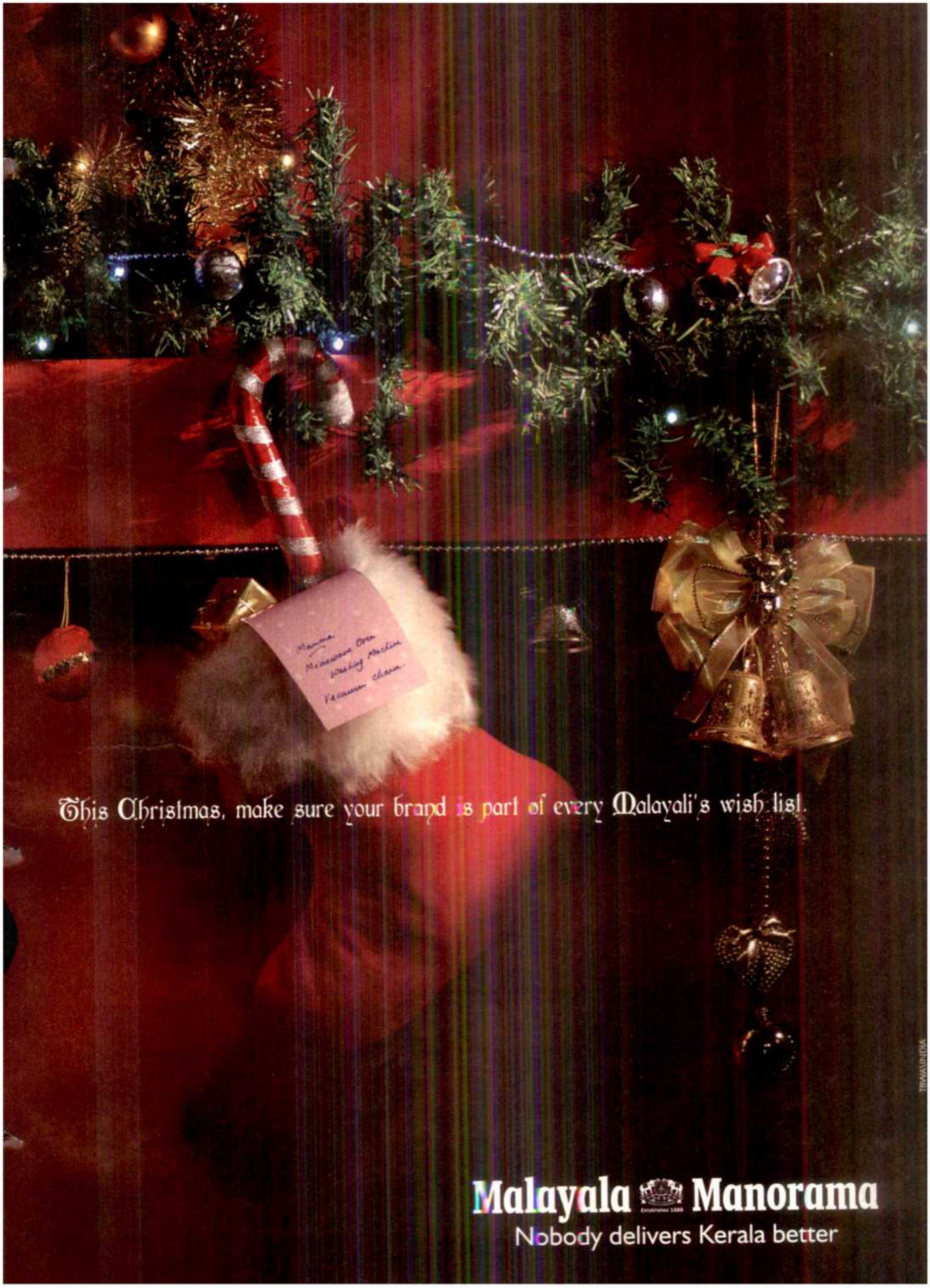
It's Christmas time. And Malayalis are getting ready to welcome the second largest shopping season in Kerala with their wish lists in place. Make sure your brand tops their list. Talk to them through Malayala Manorama. Kerala's largest read and circulated daily.

Source: ABC Jan-Jun 2007, IRS 2007 R2


This Christmas, make sure your brand is part of every Malayali's wish list.
Malayala Manorama
Nobody delivers Kerala better

comment

by omkar goswami

Tackling storms in uncharted waters

The author is the founder of CERG Advisory that specialises in corporate consulting and economic advisory services. He can be reached at omkar.goswami@cergindia.com.

THIS article is on the role of the Reserve Bank of India (RBI) in managing inflation, interest rates and exchange rates. At stake are four inter-related issues.

- First, what is the actual impact of growth in money supply on inflation in India, with what lag, and on what items?
- Second, what is the extent to which tighter credit policies and harder interest rates affect domestic demand, investment and growth?
- Third, in an environment of unprecedented portfolio capital inflows, can we credibly regulate the rate of exchange rate appreciation?
- Fourth, in a world where capital flows at the click of a mouse, is it possible for a central bank to simultaneously manage money supply, interest rates and exchange rates, especially with huge dollar inflows?

Let us examine these in reverse order. The answer to the fourth is an unambiguous negative. In an open economy with significant capital convertibility, interest rates and exchange rates are co-determined. This interdependence gets heightened in an environment of massive capital inflows — where any significant action to curb inflation by sharply controlling money supply will rapidly affect the other two variables. The greater the amount and velocity of capital inflows, the bigger the problem of controlling the triad — money supply, interest and exchange rates.

The third issue is more complicated. To regulate the rupee from appreciating 'too much', the RBI has to steadily buy dollars. That immediately increases money supply; and an inflation-sensitive central bank then has to suck out the extra money by auctioning government securities (g-secs). It also has to invest the dollars in US treasury bills (t-bills). Since the interest on US t-bills is lower than that on Indian g-secs, there is a hit on the books. However, I have argued that the financial hit is trivial compared to the effects of a sharply appreciating rupee on the real economy. I believe that the RBI has recently come around to the same view — intervene often to keep a lid on exchange rate appreciation, and take a knock on the cost of sterilisation. Which is why, despite continuing inflows, the rupee has been, of late, hovering around Rs 39.25, and not breached the Rs 39 mark.

In controlling exchange rate appreciation, a major concern is credibility. How long can RBI consistently buy dollars, or wink at major banks to do so? Can the pattern of intervention be gleaned by major currency traders? And if RBI lets go — even for a few days — will the exchange rate overshoot to intolerable levels?

On the second issue, it is clear that tighter credit and harder interest rates are biting. Consumer credit has reduced sharply; housing demand is down; smaller firms are facing higher working capital costs; larger firms are cutting their original investment plans. I wouldn't be surprised if we see a 1.5-2 percentage point drop in the growth of industrial output. We are at a stage where high real interest is choking growth.

The relation between money supply growth and inflation is the trickiest. There is no recent definitive work that shows how growth in money supply affects inflation, with what lag, and over what class of goods and services. Our guideposts are guesses, dated and shoddy empirical work. Clearly, money supply growth doesn't affect the prices of onions, edible oils or foodgrain. Nor does it affect globally traded minerals, hydrocarbons or metals. My hunch is that inflation is far more supply determined than what RBI believes. In this milieu, there are no set formulae. We are in uncharted waters. RBI needs to craft finely calibrated responses, learn from small errors, and make little moves every now and then to ensure that somehow the exchange rate doesn't appreciate alarmingly; that interest rates gradually soften; and that money supply fuels growth, not inflation. It is a difficult act of continuously adroit manoeuvring. The good thing is, RBI is learning the ropes. And realising that the times require learning from unlearning... not from dead certainties. ■

The RBI is slowly learning how to calibrate responses in times of plenty. Thank God!

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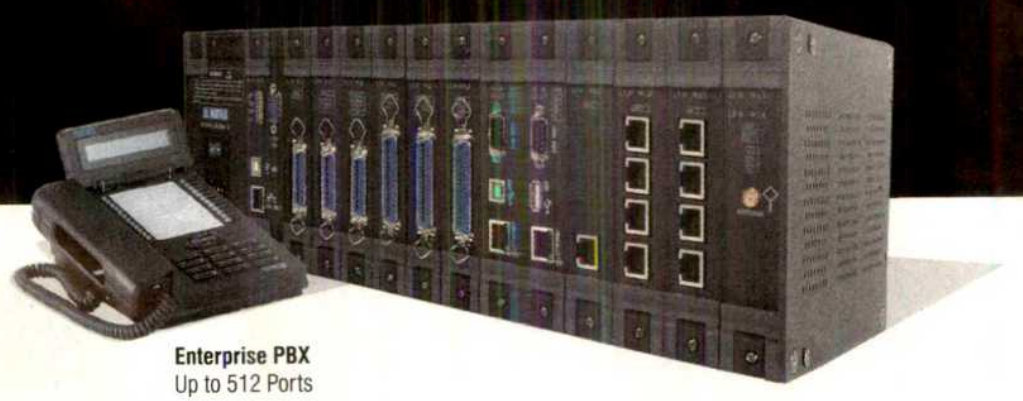

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It's all derivative

Conventional equity derivatives rule the roost

Highest trading value is seen in exchange-traded equity derivatives

	Stock futures & options	Index futures & options	Total
	For the year 2007 till October[a]		
Korea Exchange	0	57,314	57,314
Eurex	1,564	43,974	45,538
Euronext.liffe	827	12,611	13,438
Hongkong Exchanges & Clearing	181	4,037	4,218
NSE	1,310	920	2,230
Tokyo SE	NA	920	1,872
Borsa Italiana	181	1,621	1,802
BME Spanish Exchanges	67	1,591	1,658
Sao Paulo SE	917	91	1,008
ASX SFE	0	915	916

	Forwards & swaps	Options	Total
Over-The-Counter worldwide	1,764	5,721	7,485

All figures are in $billion a: does not include three large US derivatives exchanges — Chicago Mercantile Exchange, Chicago Board Options Exchange, Chicago Board of Trade — since their trading statistics is not available in value terms NA - not available Source: World Federation of Exchanges (for exchange-traded data), Bank for International Settlements (for OTC data)

RAJESH GAJRA

Market regulator Sebi's announcement about the launch of six new derivative products has met with cautious approval

IF you can't beat them, first ban them, and then introduce a few of your own. Based on its derivative market review committee's interim recommendations — which were never made public — the Securities and Exchange Board of India's (Sebi) board granted in-principle consent to stock exchanges to launch new derivative products. It was the only decision taken at that board meeting.

It lists six new derivative products that exchanges could now launch, albeit subject to a yet undefined "wider consultative process" and subject to regulatory approval. Of the six products, only four, technically speaking, are new: options contracts on futures, derivatives on a volatility index, currency derivatives and bond derivatives. The other two — mini-contracts on equity indices and longer-tenure options — were refinements of existing futures and options on indices and individual stocks.

The Sebi press release said that it expected the new products to "create more activity in the Indian onshore markets" and "bring transactions based on private-synthetic products to an exchange-traded transparent mechanism." The offshore market that Sebi refers to by implication is the one in participatory notes (P-notes) with derivatives as underlying securities that Sebi recently put a stop to. As per the note that Sebi issued on 15 October, the value of such P-notes was Rs 1,17,071 crore as at the end of August, or 30 per cent of all P-notes issued.

Exchange-traded derivatives still rule the roost (see table) in world markets. Within exchange-traded derivatives, conventional products make up for almost all volume, and derivative instruments such as options on futures or volatility index futures have not yet taken off significantly anywhere in the world.

P-notes are basically over-the-counter contracts and at the best of times, data on OTC trading is weak. The OTC market is not very large. In the Korean market, the value of exchange-traded derivatives value was $33,975 billion in 2005 whereas the OTC trades in that year amounted to only $3,959 billion, a little more than 10 per cent.

Ironically, Sebi's ban on derivatives-based P-notes may actually end up having the opposite effect to that intended. Most P-note issuing FIIs mostly had hedged positions on the National Stock Exchange's Nifty or stock futures and options. "If the P-note vendor is prevented from hedging using the Indian Nifty futures market, he could use the Nifty futures on the Singapore Exchange (SGX)," says a securities market analyst.

SGX has different countries' indices in its derivatives segment and there is a Nifty futures contract among them. The number of Nifty futures contract traded at SGX averaged between 12,000 and 16,000 contracts a month till August. But, in October, the trading volume picked up significantly to 22,645 contracts, an increase of 35-45 per cent.

The currency futures announced by Sebi could work, if the Reserve Bank of India permits the NSE and the Bombay Stock Exchange to launch them. "It is in India's interest if a global hedge fund is offered three things — a basket of stocks, a one-year Nifty put option and a currency futures contract to take away the currency risk in a single complex contract," says Ajay Shah, an independent scholar. It takes two to tango, and the RBI is not dancing — yet. ■

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OFF THE SHELF: Ranbaxy's voluntary withdrawal is a first for an Indian drug company in the US

BLOOMBERG

GAURI KAMATH

MANAGING Reputational Risk

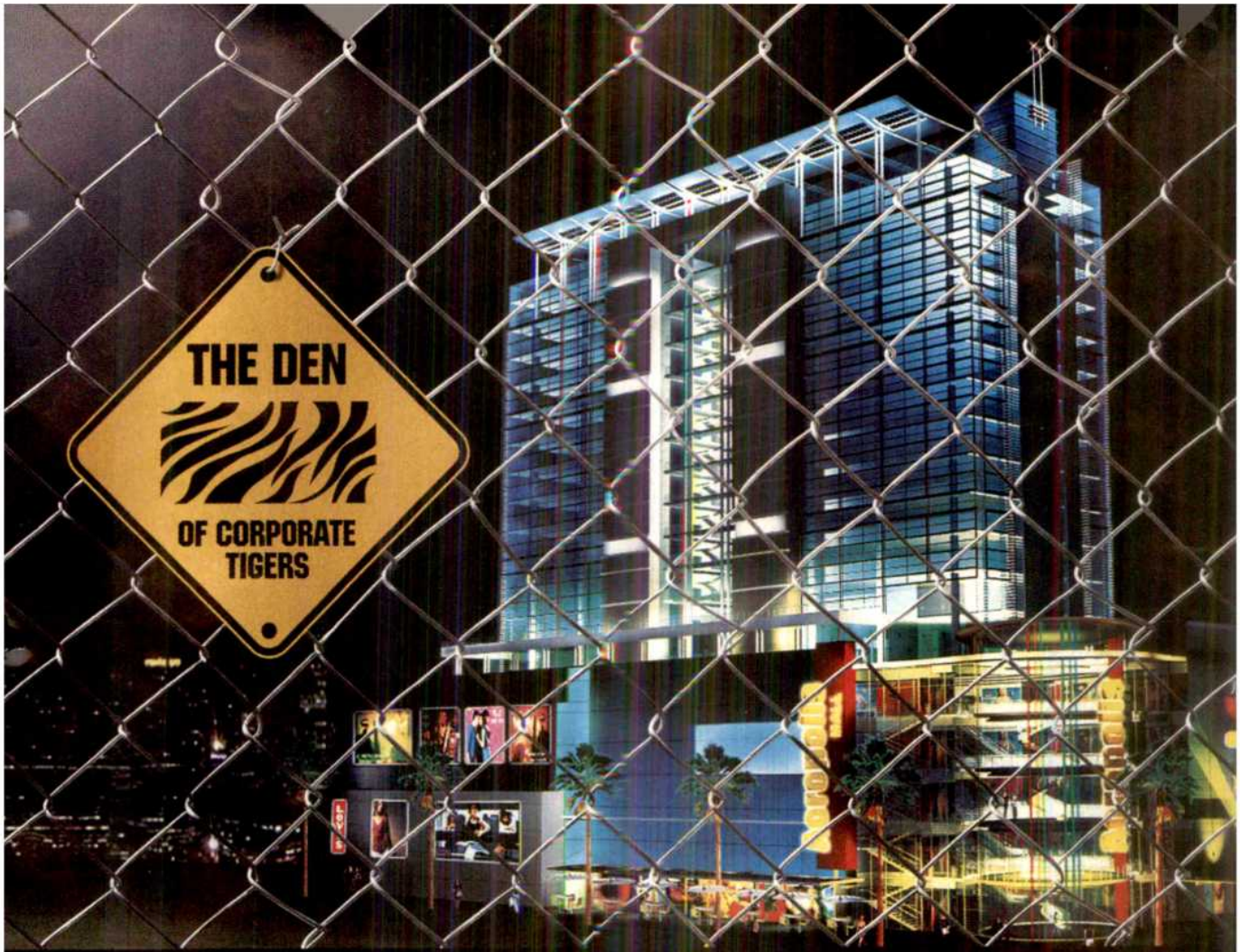
Indian drug companies have to be seen to be responsible, and not just depend on past reputation

LAST week, newspapers reported that Gurgaon-based Ranbaxy Laboratories had voluntarily recalled 73 million tablets of its epilepsy and nerve pain drug gabapentin from the US market. Ranbaxy, one of India's top drug manufacturers, launched its generic version of Pfizer's Neurontin in the US in 2005. This is the first such known recall by an Indian company in the 10 years that Indian-made generics have been exported to developed markets; not surprisingly, it has raised a swirl of questions around its impact on the company, the drug's consumers, and on Indian generics exports to the West.

Why was the drug recalled? Ranbaxy says it found 'related substances' in the tablets that were beyond the limits that were approved by the US agency that regulates pharmaceuticals, the Food & Drug Administration (FDA). Almost every drug has impurities generated in the manufacturing process; they are identified and capped at certain levels. And when this came to its attention, the company voluntarily withdrew all lots of the tablets, available in two dosage strengths, from the US market.

How serious an issue is it? The FDA defines three levels or classes of recalls for drugs, in descending order of the hazard involved. In gabapentin's case, it is a class III recall. According to FDA guidelines — published on its website — this means it is 'unlikely to cause any adverse health reaction'. In other words, consumers are unlikely to fall sick after taking it. A class I recall, on the other hand, would be of a 'dangerous or defective product that predictably could cause serious health problems or death'. A well-known example is the recall of a combination of fenfluramine, dexfenfluramine and phentermine (better known as fen-phen), for weight loss manufactured by Wyeth in 1997. It was found to cause potentially fatal cardiovascular side-effects. It cost Wyeth billions of dollars in consumer lawsuits.

Analysts say the drug's withdrawal will not affect the company's financials. An analyst with a leading foreign brokerage firm in Mumbai, who did not want himself or his company to be named, estimates Ranbaxy's total revenues from the drug to be less than a



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couple of million dollars. A company executive corroborated the figure; though he, too, preferred to stay anonymous.

Will this give the company and the larger generics industry a bad image? That is a trickier question to answer. "The event itself is no big deal; it has happened to many companies," says Dilip Shah, secretary general of Mumbai's Indian Pharmaceutical Alliance, a lobby of Indian generics producers including Ranbaxy. (See table 'We've Got Company'.) In fact, the 7 November FDA report, which the newspaper that broke the news drew its information from, lists a number of other recalls.

This includes US biotech major Genentech's recall of vials of human growth hormone somatropin. The reason: the packaging of some lots may not have included an expiration date or lot numbers were not printed on them. The US arm of another leading global generics company, Teva of Israel, is also named for recalling a steroid injection because it could not assure the injection's sterility. Teva's is a class II recall, which means that the product 'could cause a temporary health problem or pose only a slight threat of a serious nature'.

For some time now, the US pharmaceutical industry has been raising concerns that the FDA is not regulating imports from India and China strictly enough. In June, an article in *The Washington Post* quoted a former FDA commissioner as saying that foreign inspections were so weak that manufacturers believed they "can play games without consequences". Shah says the writing is on the wall. "Local (US) generics companies and Big Pharma can certainly exploit this recall to push their agenda of making more technical barriers for Indian companies and create a doubt about quality and safety," he says. The only way to handle this, he believes, is to find out why the lapse occurred and share corrective action.

Ranbaxy has done some things right. For starters, the recall is voluntary. This is important. US laws don't generally authorise the FDA to order a recall though it may request it, says a statement on the FDA website. But it can do so if there is evidence that the product poses a risk to human health. By being proactive, Ranbaxy's action has given it credibility. "The recall has to be seen in the right perspective," says Ajit Dangi, director-general of Mumbai's Organisation of Pharmaceutical Producers of India, which has often been critical of Indian generics makers on other issues like intellectual property. "Ranbaxy's action demonstrates good governance and corporate responsibility in such matters." Dangi also points out that recalls are not unique to the US market, and happen routinely in India too. (See table 'India, No Exception'.)

All things considered, there is always scope to do more. Ranbaxy did not make the recall public — it has been on the FDA website since 7 November — until contacted by the newspaper. Ranbaxy executives speaking off the record say that the company is a victim of inaccurate and over-the-top reportage on the issue in various media outlets. One newspaper estimated the potential loss of revenue at hundreds of crores of rupees as a consequence of the recall; few, say company officials, took the trouble to explain more clearly what a class III recall meant.

But Ranbaxy's written statement — also mailed to *BW* — did not explain to media the nuances of the different classes of recalls either. No context and no figure of the absolute financial loss was provided. These gaps in information undoubtedly played a role in how the media covered the story.

The company's stock also took a beating, losing close to 3 per cent of its value on the day the news broke as investors worried about a link between the recall and an earlier refusal by the FDA to approve products from a different manufacturing facility. "Investors had put that quality issue behind them," says Nitin Agarwal, a pharmaceutical industry analyst at SSKI Securities, a Mumbai-based brokerage firm. "But then they got rattled and wondered whether there was more." Ranbaxy has yet to issue a public rebuttal of any such connection, though one executive said there was no such link. At the time *BW* went to press, the share price had recovered partially.

True, other companies that recall a drug for similar reasons might not be very transparent either. But transparency enhances credibility, Shah points out. And given that the US is the largest pharmaceutical market in the world, and Ranbaxy the first known Indian generics company to recall a drug from it, better and more timely disclosure may not have been a bad idea. ■

We've got company

Recalls that were listed on the FDA website the same day as Ranbaxy's

Drug/Brand	Recalling firm	Reason	Category of recall
Methylprednisolone Acetate injectable suspension	TEVA PHARMACEUTICALS	Lack of assurance of sterility	Class II
Tussin DM cough suppressant for children	L PERRIGO	Inadequate labelling that could lead to double dosing	Class II
Sunburst Choletrix supplement	SUNBURST BIORGANICS	Presence of unapproved new drug	Class II
Nutropin AQ injection	GENENTECH	Mislabelling	Class III

Recalls are of specific doses and lots

Source : www.fda.gov

India, no exception

Recent recalls of locally-made/imported drugs or devices in India

Drug/Brand	Company	Reason	Year
Wosulin	WOCKHARDT	Stability issues	2006
Clexane	SANOFI-AVENTIS	Over-concentration of drug	2006
Gelusil	PFIZER	Odour-related problems	2004
Drug-eluting stents	BOSTON SCIENTIFIC	Device malfunction	2004

Recalls are of specific doses and lots. Brands continue to be available

Source : Media reports

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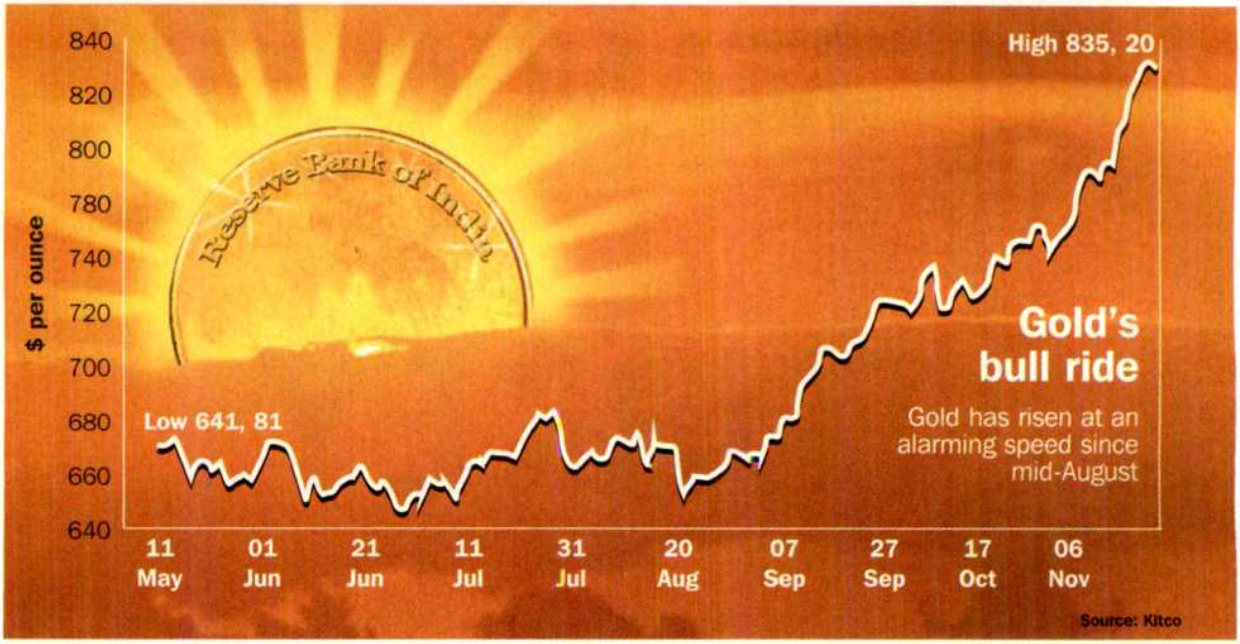

It glitters!

Rising demand, falling supply and the depreciating dollar make gold all too attractive

RAGHU MOHAN

PRETTY, shiny, and now expensive. The increase in global gold prices has added lots of glitter to the country's foreign exchange (forex) reserves. Of the total forex reserves of $270 billion (Rs 10.8 lakh crore), gold accounts for $7.8 billion (Rs 31,200 crore), up from $1.7 billion (Rs 6,800 crore) a year ago. No, there has been no addition to the Reserve Bank of India's gold reserve; the price of gold — now $804.20 (Rs 32,168) an ounce — is up over 30 per cent in 2007, and is expected to nudge the all-time record level of $850 hit in January 1980.

So, why are gold prices rising? Demand, for one thing, from jewellery, industrial uses — dentistry, electronics and other uses — and investment, mainly exchange traded funds or ETFs. There is a significant shift in demand; on a percentage basis, jewellery demand is declining, while ETF use is rising.

Usually, the Indian consumer is reluctant to spend on gold jewellery when prices are high, but thanks to a weak dollar, we are not heavily affected. Though dollar spot prices in New York have risen by more than 20 per cent, domestic prices have gone up by just 7 per cent. October to December is a double whammy for gold buying: the festival season, and the marriage season.

India remains the top importer — 715 metric tonnes in 2006, and nearly 135 tonnes in the third quarter of this year. Turkey, Italy and China are the other largest consumers of the shiny metal. With China's strong economic growth and an increase in disposable income, demand for gold is likely rising, though data on Chinese spending on gold is not very reliable.

On the investment side, ETFs are where all the action is. A report by Barclays Capital says inflows into physically backed ETFs have risen 32.5 per cent this year, adding 215 metric tonnes to demand. Demand for industrial uses outside electronics has been flat, though technology could change that. In May, there was talk of using gold in diesel catalytic converters in cars as an alternative to platinum; gold converters could reduce emissions by 40 per cent, but will car manufacturers go for it?

While we are at it, let's not forget the supply constraints either. In 2006, the supply of gold from mines dropped a staggering 15 per cent. South Africa — the world's largest producer — is producing at its lowest levels since 1932, and extraction costs are rising. China, however, has been ramping up mining and may soon pass the US as the second-largest supplier of gold.

So, does it make sense for India to diversify its reserves into more gold than hold them in the depreciating dollar? The RBI holds 3.4 per cent of its reserves in gold — about 358 tonnes. The international average is about 10.5 per cent at current market prices; in the European Union it is over 40 per cent and in the US, around 70 per cent. According to James Burton, CEO of the World Gold Council, it is up to each individual central bank to decide the level of its own gold reserves. The value of gold, he says, is decided by supply and demand; that of government securities varies as central banks' monetary policy change. All that glitters is, indeed, gold. ■

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PARADISE in pain

Photographs: ABP

The violence in the lush countryside of Nandigram could see West Bengal slip back into the dark old days. By Swapan Dasgupta

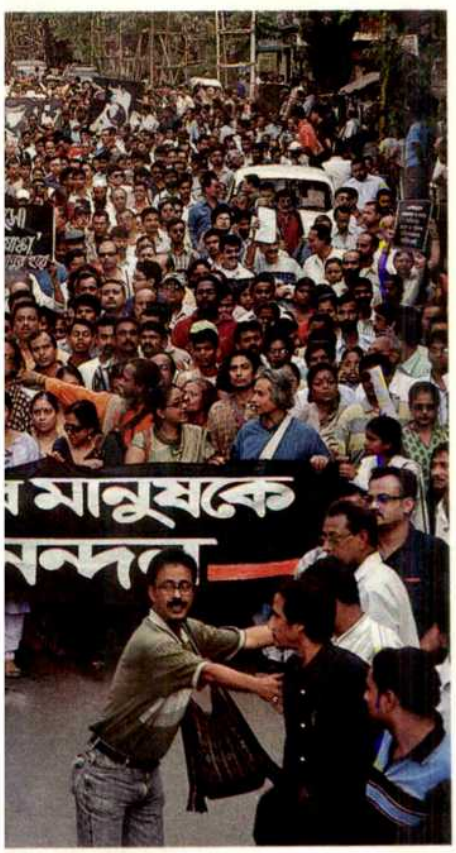
WHEN, some two years ago, US Secretary of State Condoleezza Rice proclaimed the US's grand intention of ensuring India's status as a 'great power', an incorrigible cynic with experience of missed opportunities remarked, "You can take a horse to the water; you can't make it drink."

The adage seems particularly relevant in the context of recent happenings in West Bengal. In the past three months, Kolkata has witnessed three *bandhs*, one unexpected riot that led to a curfew in central Kolkata and several disruptions caused by rallies and human roadblocks. It has seen the middle class work itself into a tizzy — first, over the tragic souring of a fairytale 'secular' romance and, then, over the CPI(M)'s high-handedness in Nandigram.

The impact of these bouts of headiness on Chief Minister Buddhadeb Bhattacharjee has been debilitating. Re-elected with an awesome majority last year on the belief that he epitomised hope of an economic resurgence, recent events have shattered his carefully-crafted image makeover of West Bengal. Always an object of investor scepticism for heading a Left Front administration, the CM's inability to manage the peace has invoked fears of West Bengal slipping back to the bad old days.

The fears can't be easily discounted. The kerfuffle in the Nandigram block of East Midnapore district was not about special economic zones. Nor was it, strictly speaking, about peasant resistance to the government's plans to acquire

SPEAKING UP: Silent Rally called by Buddhijibi (intellectuals) Mancha in Kolkata in protest against the situation in Nandigram on 14 November 2007



WOEBEGONE:Distraught Monijaan Bibi, a resident of Satengabari, Nandigram. Her house was burned by CPI(M) workers

land for a wide chemical hub in the hinterland of Haldia port. Following widespread local opposition earlier this year, all plans to incorporate Nandigram into the new industrial zone had been shelved. The violence was a result of a turf war between two political groups that had imbibed the most disagreeable features of Bengali political culture.

Yet, the overwhelming impression that came through from Kolkata — partly a consequence of some hyper-activity on the part of the state's omnipresent 'intellectuals' — was of a popular uprising against state-sponsored land grab that had been brutally crushed by Red terror. Read with the earlier furore over land acquisition for the Tata Motors plant in Singur, Nandigram put a big question over one of the CM's main claim on investment: his ability to deliver a stable political environment.

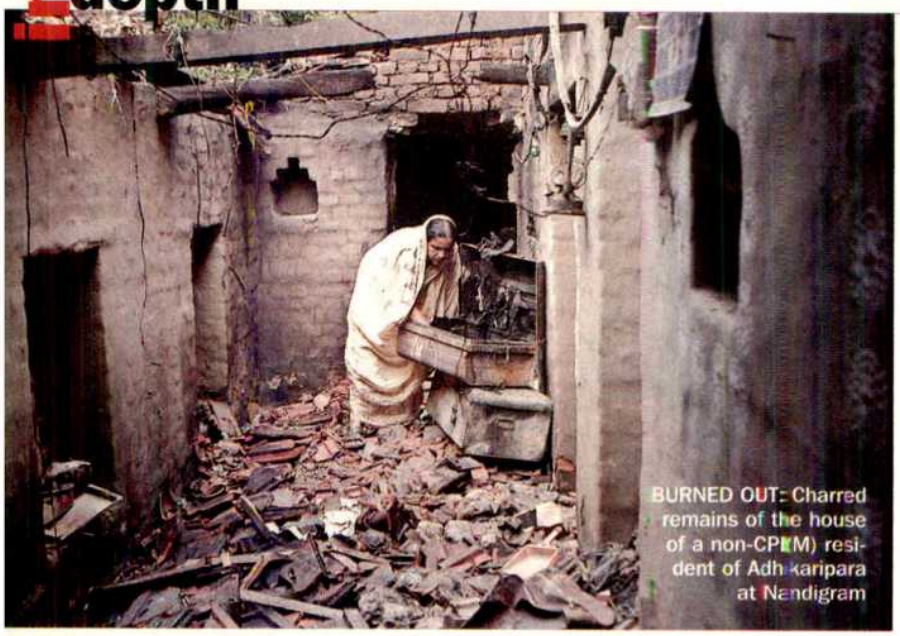
Militant trade unionism was always recognised as an impediment to a dynamic work culture in Bengal. For many years, Bhattacharjee tried to tame the beast, with mixed results. Through a combination of Marxist sophistry and pragmatic plain-speaking, he had managed to convince the bulk of the local CPI(M) that West Bengal couldn't afford to lose out on its share of the Incredible India story. His logic was simple: the state's famed land reforms had to be backed by a quantum leap in manufacturing and services. The alternative was economic stagnation, leading to frustration and political turbulence.

BROKEN AND HELPLESS: A relief camp at Nandigram. Buddhadeb Bhattacharjee's carefully crafted image makeover of West Bengal has been shattered

The troubles in Nandigram and, to a lesser extent, Singur, demonstrated the enormous political clout of a constituency the CPI(M) created after 1977: the small and marginal farmers fanatically tied to their land. The compensation package offered to those who were dispossessed in Singur was generous. It would have undoubtedly been likewise in Nandigram. What the CPI(M) failed to gauge was the depth of feeling of those who had acquired de facto ownership of their tiny holdings some 25 years ago. They were mainly small farmers who had made the jump from landless or sharecropper status, courtesy the Left. And they were unlikely to be moved by the logic of the inevitable historical shift from agriculture to industry.

Unlike many farmers in western UP and Haryana who were willing to sell out

FIGHTING FOR SURVIVAL: Gunfights between CPI(M) cadres and Nandigram residents in Maheshpur-Sonachura areas of the district. The backlash has been severe



BURNED OUT: Charred remains of the house of a non-CPI(M) resident of Adhikaripara at Nandigram

FAR FROM RELIEF: Villagers returning from the relief camp to their houses in Nandigram

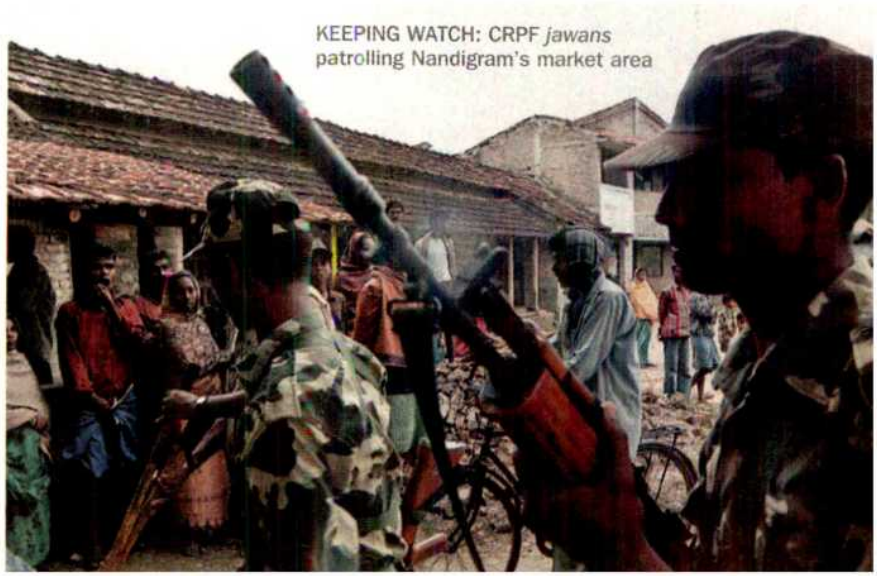
for a handsome consideration to dive into urban India, the small Bengali peasant was both economically and culturally afraid of the uncertainties that the destruction of village life would entail.

It is paradoxical but nevertheless true that Bengal's re-industrialisation process would have been relatively smoother had it not been preceded by the large-scale fragmentation of land control holdings since 1977. Orthodox Marxists were always wary of the small-peasant mentality. Having nurtured that class as its most trusted vote bank, the CPI(M) is now haunted by its passionate devotion to a rural arcadia.

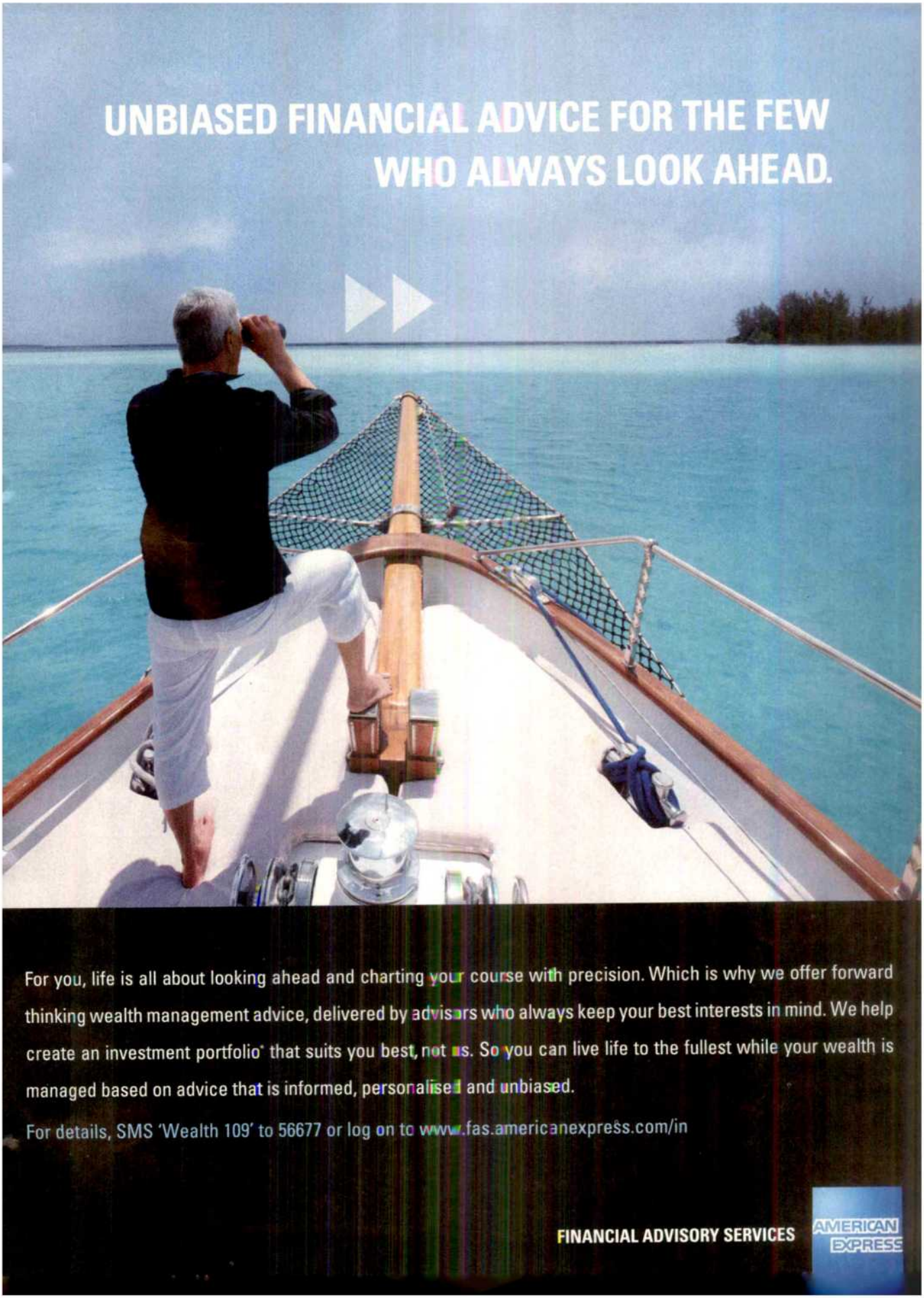
Nandigram has exposed the Left's shortcomings as a facilitator of modern capitalism. What succeeded in China and Vietnam has faltered at the altar of democracy in West Bengal.

This is particularly unfortunate for Bhattacharjee who staked his political reputation on West Bengal's industrial regeneration. Apart from Narendra Modi in Gujarat, he was the only CM who championed the reforms process aggressively and sought to package it politically. In a sense, Bhattacharjee's audacity was greater. Modi could bank on a naturally entrepreneurial state and a political party that is instinctively pro-market. Bhattacharjee first had to convince a party that was in a time warp. Subsequently, he had to break the mentality of a state under the delusion that the world owes it a living. Cracks having developed in the second endeavour, it is possible that the CPI(M) may be tempted to return to its hoary certitudes.

The fallout of Nandigram is not likely to be confined to Bengal. All over India, there are movements against projects calculated to propel India to the big league. The Orissa boom is threatened by the anti-POSCO stir; in Jharkhand, the Mittals are facing Maoist-inspired resistance to its mining project; and in many states, Reliance has seen its retail dreams derailed by resistance from petty traders. The cumulative impact of these is bound to undermine the larger political commitment to rapid economic change. A risk-wary political class may compel India to lower its sights yet again. ■



KEEPING WATCH: CRPF *jawans* patrolling Nandigram's market area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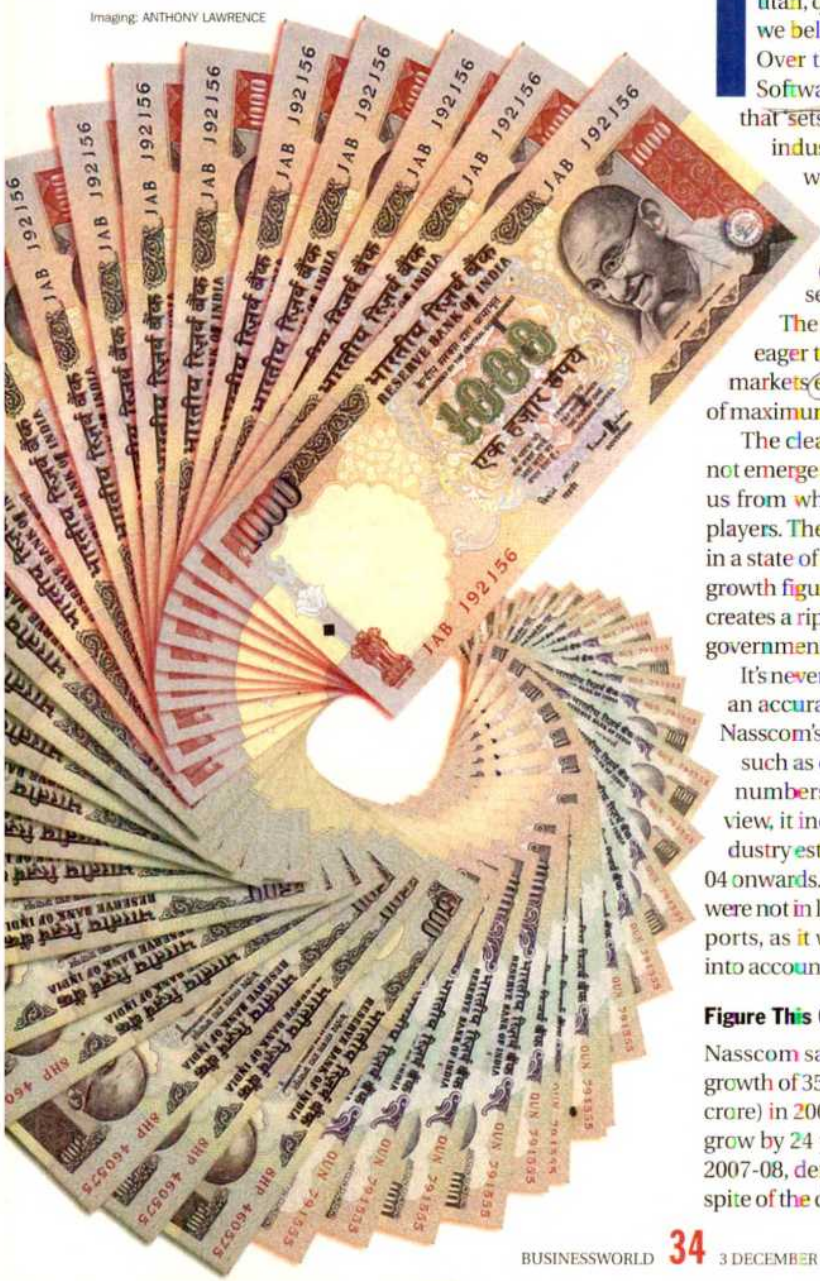
cover story

A wavering IMAGE

Contrary to popular belief, growth numbers do not reflect the reality of the mid-tier segment for the software industry.

By K.Yatish Rajawat



Imaging: ANTHONY LAWRENCE

IT has been a nearly painterly renaissance, one that evokes images of a chaotic land led by a steel and spitfire titan, quick on its feet, and quite unstoppable. The world, we believe, turns to India for offshore software services. Over the years, Nasscom (the National Association of Software and Services Companies), the industry body that 'sets the tone for public policy for the Indian software industry', has projected resurgent India's offshore software services sector as the biggest and, sometimes, even the only job creator in the country. But like a mirage that deludes, the image is now wavering. The government and stockmarkets no longer see the offshore software industry as destiny's child. The whole economy is booming and other sectors are eager to claim some of the sunshine. Retail and banking markets entice the authorities with the irresistible promise of maximum employment.

The clear picture of what's happening in the sector does not emerge as hyperbole and competes with hype, distracting us from what's happening with small- and medium-sized players. The industry association, like an over-protective sire in a state of denial, still issues impressive, if inaccurate, hyper growth figures, changing neither its data nor its stance. This creates a ripple effect since this is the only data source for the government as well as the industry.

It's nevertheless difficult to use these figures for forecasting an accurate picture of the software industry. For instance, Nasscom's 2006 annual review re-classified several sections such as engineering and R&D services. It also restated the numbers for several segments backwards. In its 2005 review, it included estimates of hardware exports into its industry estimates backwards, and revised numbers for 2003-04 onwards. In 2005, Nasscom even admitted that its numbers were not in line with the Reserve Bank's figures for software exports, as it was taking some 'notional billing' revenues also into account. But first, the larger picture.

Figure This Out

Nasscom says the IT software services sector has clocked a growth of 35.5 per cent with revenues of $18 billion (Rs 72,000 crore) in 2006-07. It also says that the industry is expected to grow by 24 per cent to 27 per cent in current financial year 2007-08, demonstrating that the association is still bullish in spite of the drastic change in its environment.

The mid-term warriors

Company	Net sales (2007)	OP margin (2007)	NP margin (2007)
Polaris Software	904.30	15.23	8.80
iGate Global Solutions	747.27	12.17	6.44
Rolta India	599.14	50.78	30.42
Mastek	498.19	28.66	20.58
Hexaware	412.69	33.58	28.75
Sasken Comm.Tech	366.31	17.34	10.41
Infotech Enterprises	344.61	28.69	18.87
3i Infotech	332.37	30.66	19.34
Aftek	323.38	33.19	28.34
KPIT Cummins Inf.	315.78	20.66	14.48
Tata Elxsi	307.96	22.73	16.92
NIIT Technologies	297.16	46.39	37.25
Zensar Technologies	278.28	18.54	12.17
Cranes Software	246.53	67.12	37.68
Subex Azure	211.86	21.14	9.82
Sonata Software	185.83	23.87	18.90
Geometric	175.32	27.35	17.60
Geodesic Information	165.09	69.21	57.14
Nucleus Software	146.53	33.77	29.28
Micro Techno	106.78	38.98	28.88
Blue Star Infotech	79.86	13.91	9.49
Kale Consultants	79.51	18.95	10.12
Zenith Infotech	66.97	54.34	38.87
California Soft	46.92	16.88	12.68
Goldstone Technology	41.03	23.50	19.01
Four Soft	36.49	21.65	13.95
Onward Technologies	33.74	16.66	2.34
AurionPro Solutions	27.85	52.57	35.76
Logix Microsystems	16.13	42.28	29.88
Nucleus Net	6.34	40.06	33.28

OP: operating profit NP: net profit

Source: Industry

Now, the 'revenue or export' numbers of companies quoted by Nasscom are not actual revenues or actual exports: they are notional numbers as they include captive centres of MNCs also exporting or reporting revenues, which they don't. These captives' revenues are estimated by Nasscom on the notional billing done by these cost centres to their parents. It includes companies such as IBM Global Services (55,000 people), CapGemini (22,000 people), Accenture (30,000 people) in India, and several other captives in the country. The figures are only estimates of what the revenues of these companies would be if they were exporting from India, given their stated employee base. There is no break-up of the contribution by these companies in its overall estimates of revenues or exports. In reality, these enterprises are growing much faster than even Indian companies in terms of their employee base. Therefore, if the Indian companies' revenues or exports decline, they will not appear in these notional figures.

Moreover, while Nasscom projects exports only in dollar terms, it does not acknowledge the diminishing realisation of Indian companies caused by the weakened dollar. Surely, by clubbing the domestic market with captive notional revenues, Nasscom will ensure that the targeted figure of $60 billion (Rs 2,40,000 crore) by 2009-10 will be met. Nasscom's comforting figures will keep moving forward and they will not reflect the slowdown in the software sector's growth in 2007-08. But they will not reflect the numbing slowdown of mid-tier and small companies.

The Paycheck

The calculation of the total number of employees is another area of fuzzy logic. Nasscom claims that the software services sector hired 1.2 million people in the financial year 2006-07 and will hire 1.6 million in 2007-08, a commendable growth of 33 per cent. Emmay HR, a recruitment and training services firm, however, shows in its independent estimates that the total employee base in Indian software services will only be 1.5 million people.

While Nasscom has projected the employee base to grow by 33 per cent, exports growth has been pegged at only 27 per cent. Experts say this is deceptive since revenues always grow faster than the rate of employees. Software being a people-centric industry, most billings are calculated on a per person basis. Analysts say that the growth number is kept low so that the actual performance numbers can surpass it, showing over achievement.

The employee growth will finally lead to another bout of hiked salaries, squeezing margins for industry players. The average salary for a software employee with one-year experience has risen from Rs 1.25 lakh per annum in 2004-2005 to Rs 2 lakh in 2007, a rise of 60 per cent in less than two years. This jump in entry and early experience levels has eroded the margins of IT companies.

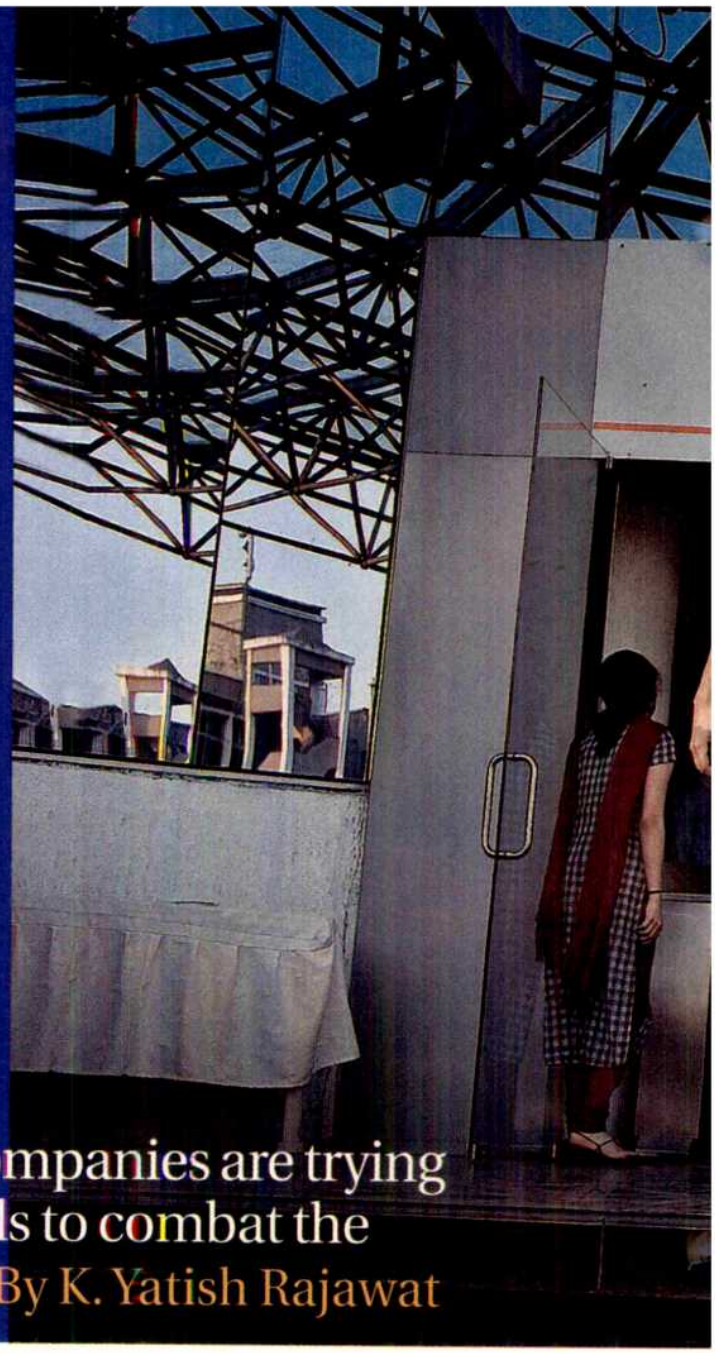
The hike is higher for more experienced employees. The salary band for those with 5-8 years experience is between Rs 6 lakh and Rs 15 lakh — the broad band, an indication of captives and the willingness of big companies to pay anything for experienced personnel. As most MNCs do not seek entry-level staff, they tend to poach experienced employees from Indian companies. And the top tier manages to retain talent with its stronger brand.

There is a huge demand and supply gap arising across all levels in the software services industry. Only 25 per cent of engineers from Indian colleges are considered employable. The remaining is hired by mid and small tier companies who train them. But this time-consuming effort only ends in poaching of talent by bigger companies. Inspite of this, Emmay HR data shows a demand and supply gap of 30 per cent at entry level, the cause of an inevitable salary spiral for the coming year as well. "It's a gap that's widening at a tremendous rate," says Sanjay Shetty of Emmay HR.

Global financial services analyst UBS is already projecting that the rupee will touch Rs 37.80 against the dollar in the next 12 months, a drop of another 4 per cent. Others are more bearish on the dollar. Indian companies, which are still planning their cost and growth at Rs 38 or Rs 39 to the dollar, are headed for tough times ahead. A recalibration of cost is needed. ■

cover story

TAKING ON THE BIG MOUSE

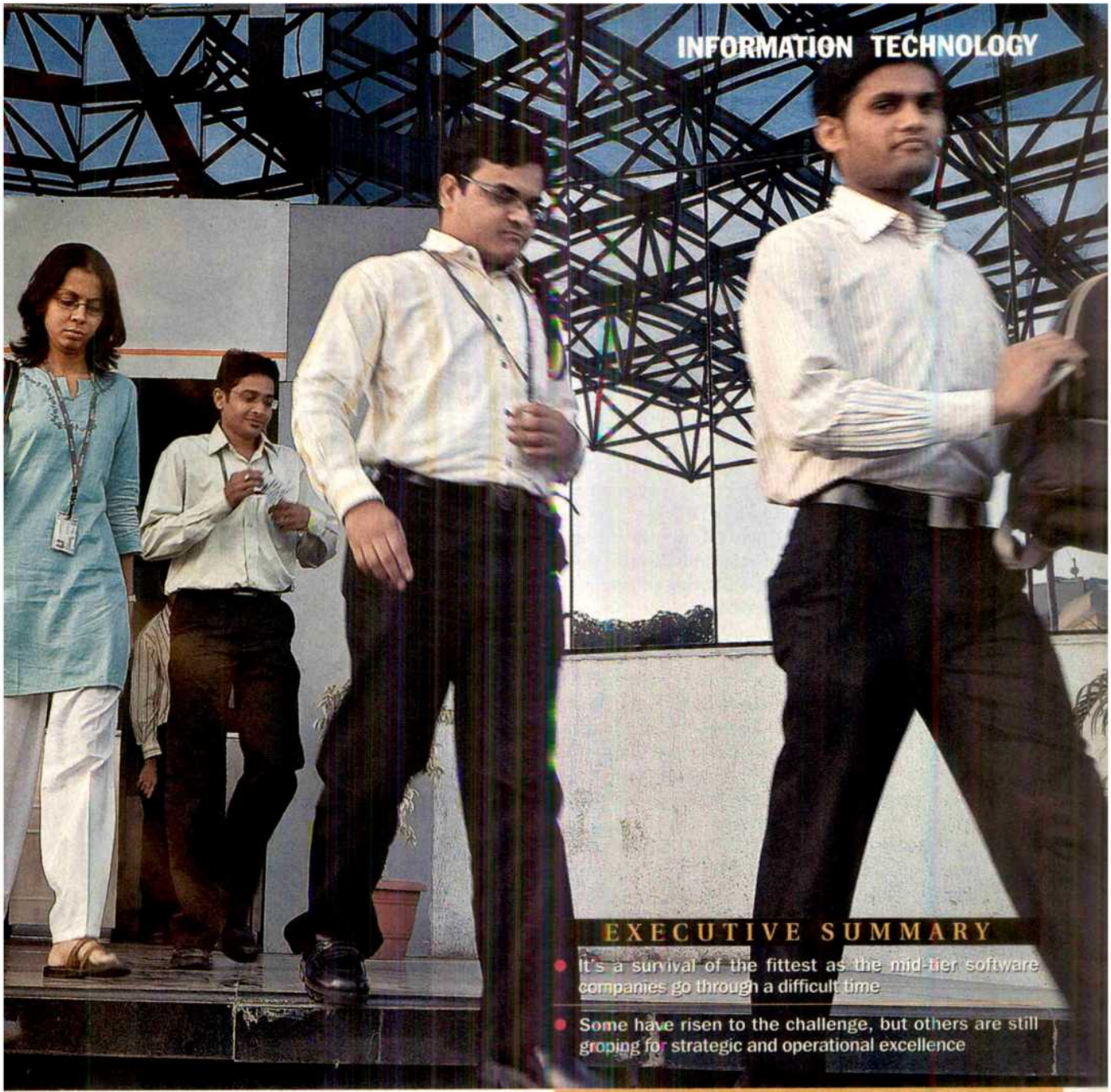


Small and medium IT companies are trying different business models to combat the changing environment. By K. Yatish Rajawat

HERE is a true story. Two smart and enterprising ex-IIT engineers returned from the US around 10 years ago, scared up some start-up dollars and decided to set up shop in Noida, just outside Delhi. Theirs was supposed to be a product development centre for their US firm. Firms like this were sprouting up all over the country. This was going to be the era of Indian software, proclaimed much of the world's media. Outsourcing to India was the theme of the decade. The term 'Bangalored' became a much bandied about phrase.

Today, we are witness to a far different reality. The ex-IITians have shut shop due to an unforgiving industry, much like their brethren across all the software hubs in India such as Pune or Chennai. While the industry chooses to ignore these small failures, it was the small and medium companies that were going to fuel the revolution of entrepreneurship and employment in the country.

What has caused such a sea change in the fortunes of small and medium Indian software companies? The robust rupee has dragged down margins, for one. Another big problem seems to be mass manpower poaching within the industry. A few years ago, only the big Indian IT companies with stronger brands would poach from the mid-sized or smaller companies. Now the poachers include captive or delivery centres of IT MNCs such as IBM Global Services, CapGemini, Accenture, Microsoft, Oracle, Cisco and Google, which offer higher salaries and benefit packages. While Indian software majors often sign no-poach agreements, MNCs do not believe in them. "The situation is serious and the long-term trends on talent squeeze and rupee can effectively ruin the growth of not only mid-sized companies but even big companies," says



EXECUTIVE SUMMARY

- It's a survival of the fittest as the mid-tier software companies go through a difficult time
- Some have risen to the challenge, but others are still groping for strategic and operational excellence

SUBHABRATA DAS

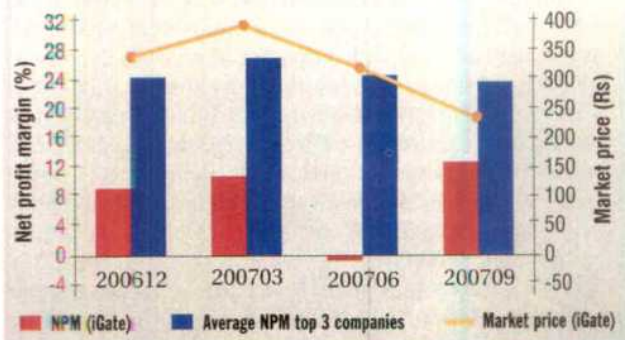
Vishnu R. Dusad, CEO of Nucleus Software. "From an industry and the country's point of view, we will not be able to achieve the target of employment or exports if this trend continues."

Competition from both Indian biggies and MNCs' captives is rising rapidly. The MNC captives don't have to worry too much about rising costs. The bigger Indian companies are able to deal with the cost problem by going global and opening development centres in other low cost countries. Smaller players can't afford to do so because of the large capital investment required. Therefore, the struggle for survival largely concerns India's mid-tier software companies who need to adopt a variety of strategies in order to continue growing at a fast clip, streamline their operations and survive the industry squeeze.

Not surprisingly, a slew of mid-sized Indian companies have risen to the challenge. Some have chosen to hedge their bets on a few industry segments. Most of them have cut down

iGate Global solutions

Has weathered the rough seas of the software world for a while



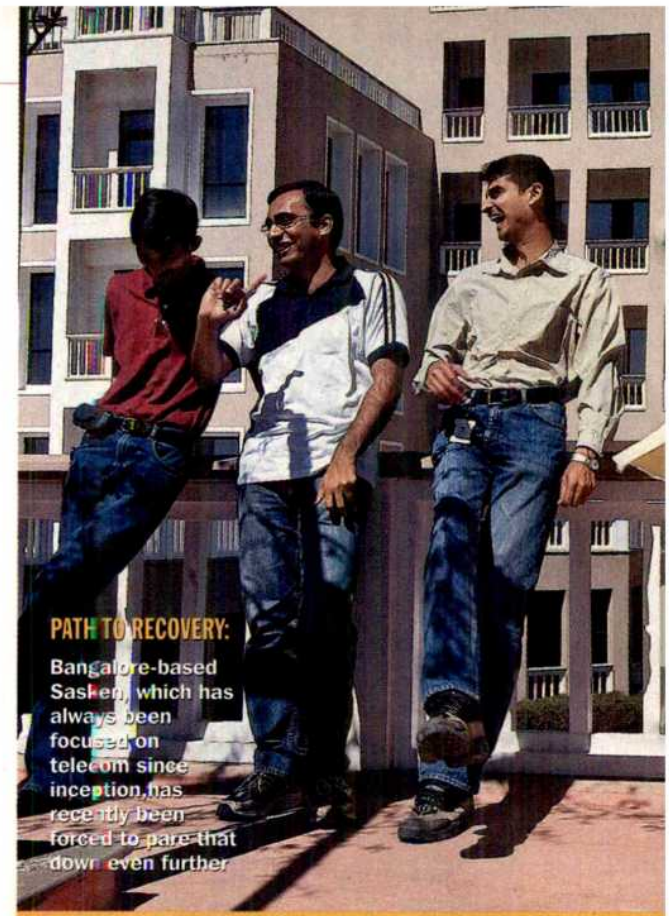
NPM: net profit margin; top 3 companies are TCS, Wipro and Infosys; market prices as on quarter end from Dec 2006 till Sept. Source: Capitaline Plus and *BW* research

their service offerings to focus on niche segments. And a few have opted to focus on products or product services as their primary method of differentiation.

Bangalore-based iGate Capital, run by the former Infosys man Phaneesh Murthy, has weathered the rough seas of the software world for some time now. When Phaneesh joined the company, it had no strategy and was doing mostly body shopping kind of work. Formed by the coming together of several smaller software companies, iGate has had trouble maintaining its net profit growth. It's low operating margins of 12 -13 per cent and unimpressive net profit margins of 5-7 per cent are still much lower than its peers, and explains its flagging share price. Recently, tired of battling the tough business environments as well as hard-to-satisfy public investors, the promoters of iGate decided to delist the company. Nevertheless, the company has lofty ambitions of competing with the likes of Infosys and Wipro by assuming a broad-based strategy while leveraging its pricing model called iTOPS.

Strategically, iGate focuses on five verticals: capital markets, mortgages, insurance, manufacturing and retail. Which is better than doing everything in the banking and financial services industry (BFSI) segment, something the company did earlier. However, the company feels that its most significant advantage going ahead is through a new pricing strategy devised around four years ago by the firm called iTOPS, which helps iGate differentiate itself from the rest of the pack. iTOPS' objective is to charge customers on a usage or transaction basis for integrated IT and process outsourcing solutions. The initial market response to iTOPS was lukewarm, but recently the new approach is achieving more traction. iTOPS is different from the rest of the competition since it charges customers on a shared application, IT & BPO infrastructure model, and is essentially trying to move away from a 'per-person per-hour' pricing. This model, if it works, can help in delinking the revenues from a per employee basis and can add more to the company's margins. iTOPS is not a product, it's a pricing strategy to move away from charging on man-hours basis. Changing a pricing model for a mid-tier company is not easy. The process needs time for the new model to catch on as well as money to devise and launch a suitable marketing campaign for the model, both of which are in short supply for iGate. CEO Phaneesh Murthy agrees. "The biggest challenge for iGate is to build our brand and prove that our iTOPS model is the most attractive business model for the customers looking to outsource".

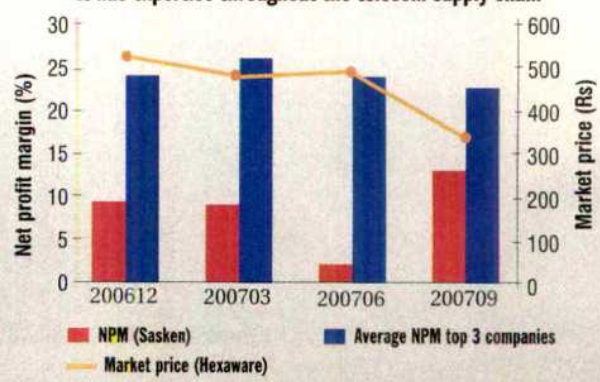
Mumbai-based software firm Hexaware shares more than a few similarities with its peer iGate. Hexaware, like iGate, has established a presence in a number of verticals in order to maximise its competitive advantage. It initially started with a focus in the BFSI verticals, but over a period of time it has unveiled what it calls a multi-niche strategy and has entered into transportation, hospitality and logistics verticals too. Like the bigger companies, Hexaware's strategy is to expand as quickly as possible through low cost centres globally. Adds Atul Nishar, chairman of Hexaware, "We are working on a $1-billion (Rs 4,000-crore) roadmap, where we envision a larger global footprint with a headcount in excess of 35,000 and we will have delivery centres in South Asia, eastern Europe and North America. We will also launch new verticals or add micro-verticals to existing focus areas."



PATH TO RECOVERY: Bangalore-based Sasken, which has always been focused on telecom since inception, has recently been forced to pare that down even further

Sasken Communication Technologies

It has expertise throughout the telecom supply chain



NPM: net profit margin; top 3 companies are TCS, Wipro and Infosys; market prices as on q

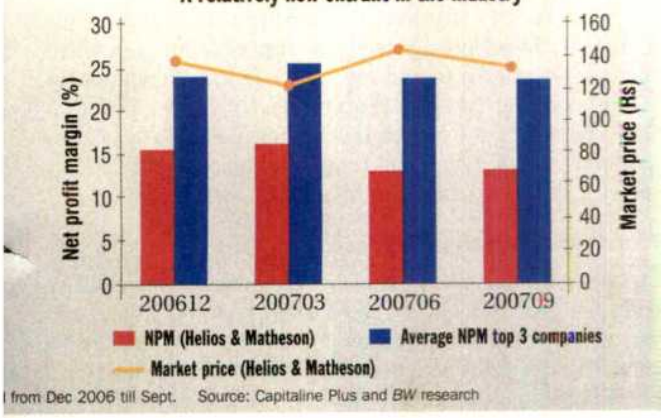
Hexaware is not without its problems, though. The company's stock price, like that of iGate's, has suffered a big hit, dropping from Rs 204 to Rs 96 due to a Rs 8-crore drop in its recent quarterly profit figure, primarily due to being blindsided by a 7 per cent appreciation of the rupee against the dollar. The market does not seem to have accepted the multi-niche strategy story of Hexaware and is not willing to accord it a higher price-earnings ratio (PE) compared to its peers.

While both iGate and Hexaware have a strategy and have to get their operations aligned to new cost dynamics, Chennai-based helios & matheson (H&M) has neither a strategy nor operational excellence. It is a relatively new entrant into the industry. It went public in 1999 and has been growing

SANJAY SAHARIA

Helios & Matheson

A relatively new entrant in the industry



t from Dec 2006 till Sept. Source: Capitaline Plus and *BW* research

through acquisitions, most of them successful, barring Vmoksha, which failed and is now in the courts. H&M has a low PE of just five times for its stock price. The company derives 42 per cent of its revenues from healthcare thanks to its acquisition of Nasdaq listed TACT a few years back. "We may be small but we are on the verge of explosive growth," says G. K. Murali Krishna, managing director of H&M. "It took Infosys 25 years to reach billion dollars of revenues and less than two years to reach the next billion." H&M has slightly better operating and net margins at 13.3 per cent and 21.6 per cent compared with iGate, primarily due to its Nasdaq listed subsidiary. H&M is interesting as it is much smaller than iGate and Hexaware but still believes it can reach a billion dollar of revenues. There are several other companies in this category such as Aztec, Aftek, Sonata Software and MindTree. These companies have a broad-based vertical strategy and are more confident of their long-term success than the stockmarket analysts at this stage.

Focusing On Niches

While some companies such as iGate and Hexaware choose to focus on attracting a wide range of business from a variety of industry verticals, others have become far more selective in their business strategies, targeting specific niches. This niche focus also helps companies tap a different pool of skilled talent that is not easily poached by the big Indian IT companies or MNCs. Focusing on a niche is not without its shortfalls. Doing so exposes a company to the dynamics of a single sector. If a sector in which a software company has decided to concentrate its development efforts on goes through a recession or slashes its IT-related expenditure in order to save costs, the software firm will invariably suffer heavy losses. Therefore, selecting niches that are relatively low risk is important.

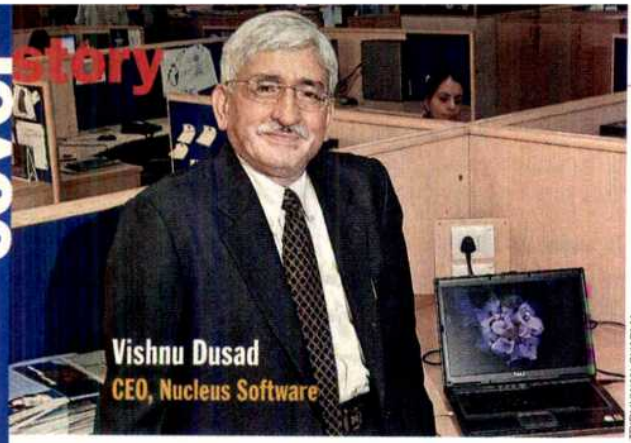
In an effort to adapt to a difficult business climate, Delhi-based NIIT Technologies has, over the past few years, gone through the process of cutting down its business to just three verticals: insurance, travel and transportation, and government. The decision to focus on verticals was taken because its growth was suffering and it could not compete against the big companies for either talent or business, which is when it decided to focus on a few verticals. "Our focus is on being the best," says CEO Arvind Thakur. "We can only be the best if we focus on a few verticals and in those niches we can be bigger or equivalent to the global or Indian biggies."

For NIIT, the process of evolving to a niche-based business involved the painful process of forcing valuable revenue from non-niche businesses to slow down to a trickle and then ultimately letting those customers go. The company also saw its revenue and margin growth suffer during this period of re-orientation. "Ideally, I would like us to focus on even fewer verticals going forward, but it is not easy," says Rajender Pawar, chairman of NIIT Technologies.

NIIT's strategy seems to be paying dividends. It has realised much higher operating and net profit margins at of 46 per cent and 37 per cent, respectively. Also, the stockmarket has shown confidence in the company's management strategy. Unlike its peers, it PE is high at 12.6.

Another company that has morphed itself into a niche player and is reaping rewards for doing so is Pune-based KPIT Cummins. KPIT has been growing faster than the industry. It will cross revenues of $145 million (Rs 580 crore) this fiscal and is targeting $250 million (Rs 1,000 crore) in two years time. It commands a PE of almost 17 times and has an operating margin of more than 20 per cent with a net margin of 14.5 per cent in the current year. The company's fortunes took a turn for the better ever since it decided, less than three years ago, to focus its efforts solely on the manufacturing vertical. KPIT had worked with Cummins in the past but it used to do business in the most popular BFSI segment too.

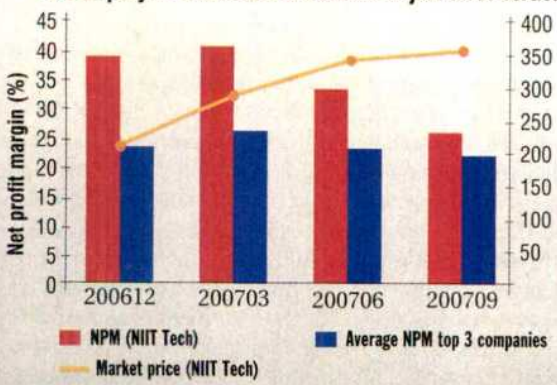
KPIT took some time to realign itself and now it derives 90 per cent of its revenues from this manufacturing sector, while the remaining 10 per cent of its business comes from banking. "Our strategy is honed now," says Chairman Ravi Pandit. "We are very focused and within the manufacturing vertical; we



TRIBHUWAN SHARMA

NIIT Technologies

The company has cut down its business to just three verticals



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AMIT VERMA

only focus on sub niches: automobiles, transportation and farm equipment. Within these niches, our focus is on electronics, embedded systems and application services."

Still, the company has a challenge in terms of its application management services and banking business where it will compete with the biggies such as Satyam and Wipro. Pandit, however, doesn't seem too fazed. "We think there is still some growth left in the banking area as the five-year contracts with the biggies lapse," he says. "In the application area, we are seen as a specialised player in the auto sector and have an advantage over the bigger companies."

Bangalore-based Sasken has always been focused on telecom since inception. It has largely concentrated on the telecom and semiconductor industry, but recently has been forced to pare that down even further. The company started off as a service provider for telecom equipment manufacturer Nortel and now services almost all the telecom equipment vendors including Nokia. Due to its expertise in embedded systems and VLSI (very large system integration), it had started providing outsourced R&D services to semiconductor companies such as Intel. Consequently, the company had four verticals NEMS (network equipment manufacturing services), semiconductors, mobile handset and products.

Changing market dynamics and slowdown in telecom sector has forced the company to merge its mobile handset and products vertical into one. Sasken is facing the risk of focusing only on one vertical; the global telecom industry has been consolidating and outsourcing has slowed down affecting Sasken adversely. Sasken's margins have been affected in recent quarters, though the stock still commands a PE of 20 to 22 times its earnings. It is currently quoting at a 52-week low. The good news amidst all this gloom is that Sasken is well on the path to recovery and is the only company with an expertise throughout the entire telecom supply chain.

The mobile handset design business came to Sasken through its acquisition of Finland-based Botnia Technology. Through Botnia, Sasken has acquired the expertise of developing a complete handset from concept to final design. The company does the whole nine yards in the mobile handset space from product conceptualisation to forming factor, hardware and software design for mobile phones. Botnia has a strong management team and the experience in product development. Sasken has also been developing products such as ADSL routers and some internal multi-media players for mobile handsets. "We have deep expertise in the telecom domain and are looking to leverage our knowledge of communication stacks in allied areas such as machine to machine communication," says Rajiv Mody, its chairman and managing director. The company has formed a joint venture called Connect M with venture capital firm IDG Ventures to tap opportunities in the machine-to-machine communication market.

Products Or Productised Services

Pressure on software companies to adapt or perish in these turbulent times has even forced one of the industry's old guards, Mumbai-based Mastek, to reinvent itself. Formed more than 25 years ago, the company should be standing alongside Infosys or Wipro today in terms of scale and profitability. Yet the company has been unable to realise significant growth in the last two decades, primarily due to an absence of aggressive leadership as well as the loss of key clients. Key clients such as AT&T moved to larger vendors such as Wipro and TCS, even some of its joint venture with competition like Deloitte never worked out.

In the past few years, a change of leadership has brought the company better focus. Under the stewardship of CEO Sudhakar Ram, Mastek has narrowed its focus to specific niches. While 10 years ago, the company had no focus and was servicing clients in almost any industry segments it could locate them in, it has over the past three years focused on application development in the insurance and government segments. Posting revenues of around $500 million (Rs 2,000 crore), Mastek is developing 'Elixir,' a product for insurance,

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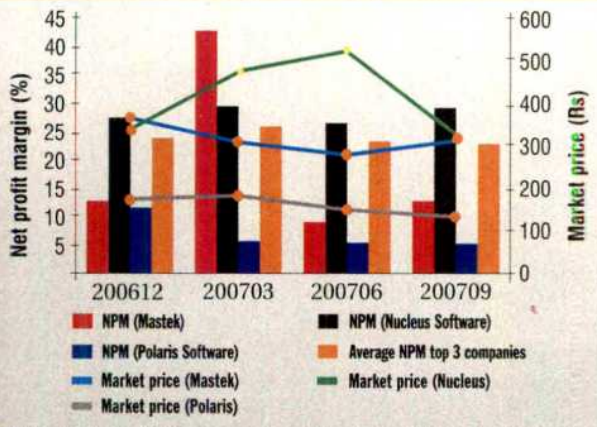
R.A. CHANDROO

On a par with giants



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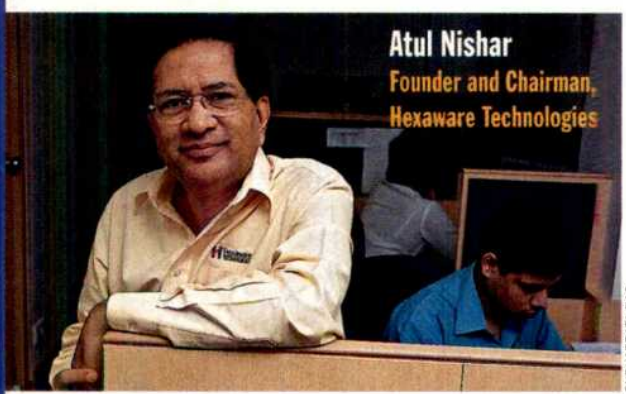

SUBHABRATA DAS

which it plans to launch next year. The company has an operating margin of more than 28 per cent and a net margin of around 20 per cent in 2007, the market gives it stock price a PE of almost 17 times. "We believe we are the right track now and plan to add a vertical every two to three years, now," says Sudhakar Ram, CEO of Mastek. "We now compete against a different set of players, not the tradition top five Indian companies, which shows that we a have a differentiated offering compared to our peers in the offshore services market."

Ram adds that he would ideally like to see three components to the company's revenues stream: license revenues from products, implementation and services revenues and service offerings for transformational changes in our chosen verticals. However, Ram does not see Mastek becoming a software product company and does not plan to get more than 10 per cent of its revenues from this area.

While Mastek is not planning to be a product company, Delhi-based Nucleus Software is betting on the future by being one. Nucleus is a small company and started providing customised solution for Indian banks. The company's flagship, FinnOne, was the best selling retail lending software product in 2006. This product helped in automating the lending process in banks and finance companies. The company focuses on the lending and cash management sub vertical in the BFSI segment. "We may be mid-sized but in terms of valuation and penetration we are at par with the giants," claims Nucleus CEO Dusad.

Nucleus' 31 March revenues were just Rs 221 crore, but because of its product strategy, it has a high net margin of almost 25 per cent. Nucleus has consciously kept away from the US market hence it has been not affected by the falling dollar, it gets revenues from India, the Asia-Pacific market and Japan. The decision to stay away from the US was taken more because the competition was high there and Indian vendors did not serve the Japanese and the Asia Pacific markets.

Like many of its peers who have experienced the dwindling fortunes of the software industry in the past decade or so, Chennai-based Polaris Software has also revised its strategy going ahead. In 2002, Polaris announced the acquisition of Citigroup's software business Orbitech and, predictably, the acquisition pulled down Polaris's growth and margins. The integration was tough as Orbitech employees were not used to the new performance-driven culture. The fall in revenue and net profits combined with a changing marketplace forced Polaris to rework its strategy. The company has been investing in a next generation core banking software product. "We have developed several components and modules around our core banking software solution," says Arun Jain, chairman of Polaris Software. "As it is based on a SOA platform, banks do not have to throw their legacy application out, and the implementation is quicker and non-disruptive." The company also has an enterprise service offering in the SAP area for banks.

The product business is yet to deliver its promise for Polaris and its stock price reflects this. It's hovering at around Rs 104 at a 52-week low and has been hammered down from its 52 week high of Rs 237. It has a PE of around 14 times. Polaris has an operating margin of around 15 per cent, which has improved from less than 10 per cent in 2006, as its investment in the product reduced, but its margins are still on the lower side compared to industry.

To survive today in the software landscape, streamlining operations and ensuring that the company is in good management hands is vital, but not enough. Instead, a mid-sized software firm has to be more like pop icon Madonna, constantly reinventing. Whether this means thinning down in order to operate as a niche player in just one vertical or establishing oneself as a purveyor of quality software products for an industry group, flexibility and the ability to adapt or morph one's fundamental business strategy based on environmental conditions is key. It may prove to be the difference between longevity or an early trip to the never never land. ■

With data inputs by Abhishek Chowdhury

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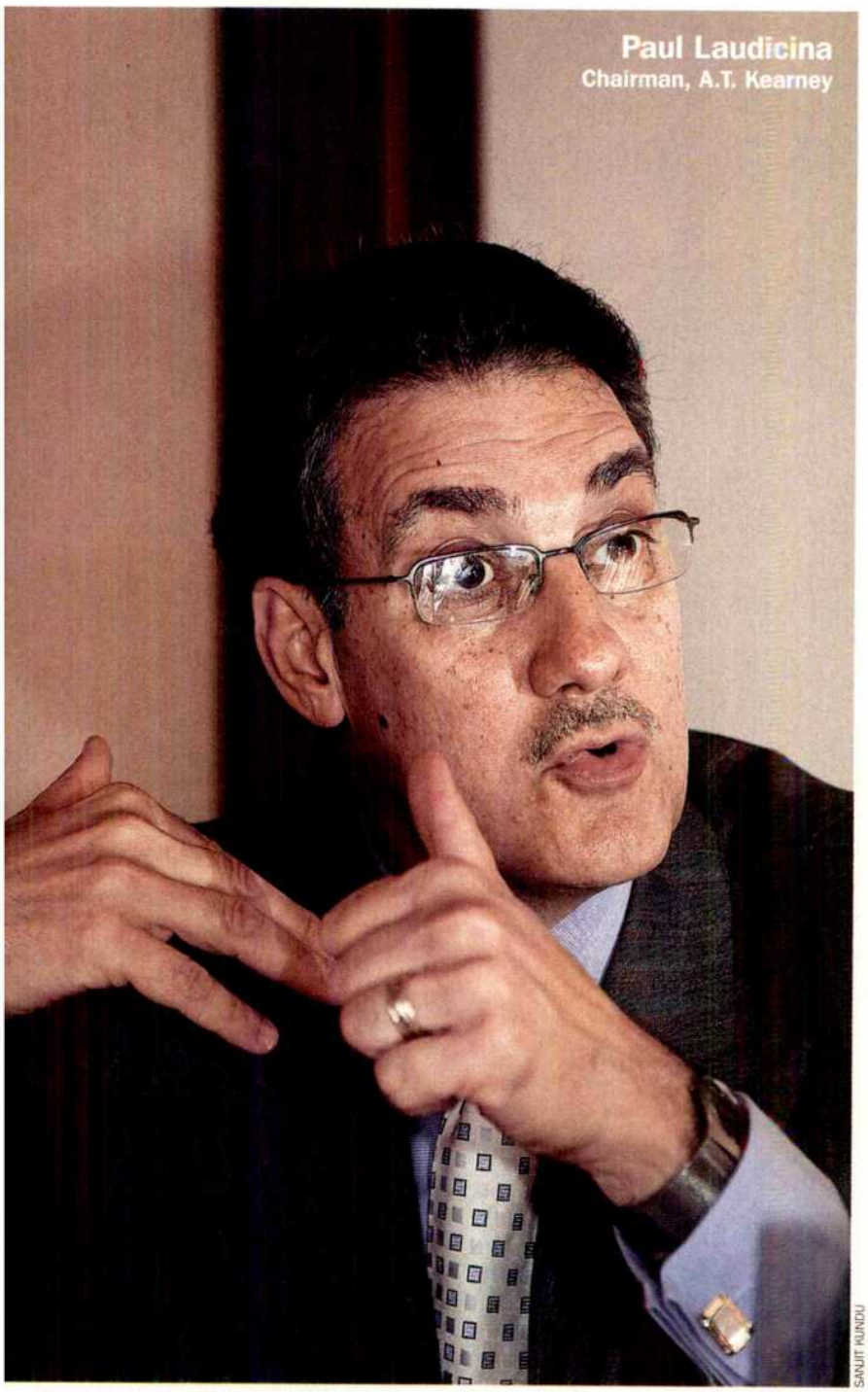
'Size makes you more vulnerable'



SANJIT KUNDU

Paul Laudicina, managing officer and chairman of the board of the eight-decade-old A.T. Kearney, was selected as one of the top consultants by *Consulting* magazine in 2007. His 2005 book *World out of Balance* was named one of the top 30 business books by Soundview. Having joined A.T. Kearney in 1991, he served as the managing director of its global business policy council before assuming his current role. He spoke to *BW*'s Baiju Kalesh on issues ranging from global alliances to road maps for Indian companies to become global giants. Excerpts:

■ *Where do Indian companies stumble when they buy companies abroad?*

■ For any country, India or otherwise, it is important to understand what the next dramatic change in the business environment will be. We believe that comes by looking at the five drivers of future business conditions. The first is globalisation, the extent to which it will help integration. Second is demographics, both internal to your market as well as globally. Third is environmental and natural resources; the constraints that come from these limited resources and the challenges from the environment. Fourth is changing consumer behaviour attitudes and focus of power; in this part of the world, there is tremendous appetite for things, but in industrialised or post-industrialised societies, focus is shifting to services — education, health care, entertainment, travel and leisure. Finally, regulation and activism, where many people feel threatened by an integrated world. Our advice to companies is to be very careful when you look at those five drivers of business.

■ *Are Indian companies moving in the right direction now?*

■ It is hard to generalise, but certainly

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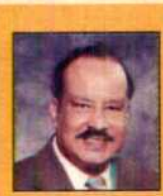

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many of them are. The biggest are moving in the right direction because they have begun pulling together assets globally to be able to serve their global networks and global clients. In that sense, large Indian companies have got it right. Family-run companies have to change their behaviour to be able to capitalise on global business dynamics such as access to capital and access to talent. There is a special challenge that globally all family-run businesses are going to face to make sure they effectively globalise their organisation. We see that in Latin America and we see that certainly in Asia.

■ *Do you see that in family-run business in India?*

■ We do. We see a lot of Indian companies getting it more right than many of the others. The fact that is quite striking is that for many years, India was known as a service sector for the economy of the rest of the world. Indian manufacturing is now starting to take off as well and that's a good sign for India.

■ *What do you read from the changes that are happening in big corporations in high cost and capital intensive industries such as General Motors and Ford? In Japan, Toyota seems to have grown much faster than it ought to have. The challenges for them are many... vehicles are being called back now. Even in Europe, high cost is a concern... Will it benefit the Indian companies or can Indian companies such as Tata Motors fill their shoes?*

■ I think General Motors is now making a lot of very important changes. Recently, you saw the agreement that GM had with the United Autoworkers Union. They are trying to address their tremendous legacy costs, particularly related to healthcare. I think they are finding innovative solutions such as trying to work through with Chrysler. Ford will be next and this will help determine whether or not the US automotive sector will be able to get back into its stride. Also, the second order of issues has to do with another change that relates to sustainability, alternative sources of fuels. The whole transportation sector is very much in a state of tremendous flux. So the extent to which the companies, irrespective of their nationalities, get it right, they will be able to get a toe-hold and be competitive, and the extent to which they don't, they will lose.

■ *So, there are opportunities for Indian companies?*

■ Sure. There is a chance for companies who take the right decision to occupy a good space. No one would have guessed 25 years ago that Toyota would outpace GM in terms of global market share. The pace of change is much quicker today than it was in the 1970s and 1980s when Japanese automotive makers made huge progress in the US auto market. Koreans are there and Chinese have ambitions to be there. Now, is the market big enough to allow all those players to compete and be successful? Obviously not. But there are openings.

"No company can, on its own, innovate enough to be sucessful. Strategic alliances will be at the heart of a company's ability to grow quickly and successfully"

■ *How will Indian companies address the issue of globalised management?*

■ There has to be a change in mentality as you globalise because you are dealing with a multi-cultural environment. It requires special management skills, particularly of the peripheral vision and the triple borderline of capitalism. What is new is that we see the relentless pursuit of profit intersect with the need to do it in an environmentally and socially responsible way. Not because it is right, but because it is good business. I think that is something that a domestic leader moving on to the global stage sees more intensely than it used to.

■ *One of the challenges in going global is to create a global brand through alliances. What could Indian companies do?*

■ I think it's clear that innovation and the ability to innovate are at the heart of competitiveness, and it is equally clear that no company can, on its own, innovate fast enough and extensively enough to be able to be successful. So networking, strategic alliances, co-operative arrangements are obviously going to be at the heart of a company's ability to grow quickly and successfully, and own and operate everything that is going to be critical to your future success. So, I think what we are seeing is that size is no longer security. In fact, 60 per cent of the Fortune 500 companies in 1970 don't exist any more.

In many ways, size makes you more vulnerable because you are the lumbering giant who is obviously an easy target for any start-up that could find a right niche in this rapidly changing world. So, as Jack Welch used to say, how do you keep that small corporate soul in that big corporate body? You have to find a way to combine economies of scale with being able to think small, and to be nimble and to innovate. Companies have to create a networked strategic alliance but necessarily not own or operate it. For Indian companies this is a somewhat different way of thinking because I think there is still the sense that unless I own it, I somehow can't be secure in terms of meeting my total value change requirement. I think that is a change that has affected most other businesses pretty fundamentally.

From the manufacturer to the most sophisticated services player, it will be a challenge to see how management is secure enough, nimble enough, creative enough to find the opportunity for strategic alliances effectively enough, where you don't own and operate it but at the same time take advantage of it. And innovation is at the heart of it.

■ *So, are you saying that companies should have alliances in every stream from the source to the customer?*

■ Absolutely.

■ *So this supply-chain model is going to end up in outsourcing manufacturing since you have to cut down the costs...*

■ Yes, and you have to also diversify your sources of supply. We did a risk assessment for a large company not too long ago. This is a Fortune 50 company

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and it was horrified to learn that about 60 per cent of its profit drivers, earnings drivers, were coming out of two countries and were going out through one choke point. So there was this notion that somehow an interruption in the Straits of Malacca could destroy this company. Therefore you begin thinking of diversifying sources of supply, of having many more suppliers that can be searched affordably.

And so when you look across the whole value chain, from dirt to dock there are ways that you can look for both opportunity as well as risk management to allow you to be successful.

■ *How do you see India in next five years?*

■ I have been very much of the view that it is an 'Uncaged Tiger'. There is huge growth potential. I think where India will be in the next 10 years will be determined over the next 18 months because of many reasons. It's a limited period of time in which the world is intensely looking at the Indian environment and trying to determine: Are there investment opportunities here? Are the domestic business environment and the government really interested in that kind of investment? Will the infrastructure be built out sufficiently to allow business to understand that the investment that they make will yield returns over a longer period of time? The good news is that India has the world's attention, and the bad news is also that India has the world's attention!

■ *One of the crucial things in India is abundant earth-based resources, next to China. What could happen in this space?*

■ India is not self-sufficient in energy and it has competition from China on oil and other resources in Africa. At the moment, about the nuclear deal with the US, it seems that if you look at the long term, it looks like India has to include the nuclear option somewhere. That's a political issue that India is going to have to resolve. Equally, I think Indians will have to resolve the problems of intense environmental constraints, particularly of clean water. Current irrigation systems in India haven't really changed much in several hundred years and they will have to change like elsewhere in the world.

■ *What is the impact on environment?*

■ I think these massive constraints will come into focus soon. And I think with the Rs 1-lakh car that the Tatas are planning to make, it is wonderful that we are going to have another 100 million people buying cars totally. How is the environment going to take it? What do we power this car with? Where will the fuel come from? Where is the cement to build the roads? The challenge to match the aspirations of 6-7 billion people on this planet with the resource limitations is going to be the biggest issue of our lifetime. We will have re-engineered just about everything, from industries to distribution systems to transport to power systems. And above all, we have to re-engineer this — the human mind — to realise that we are living in a very, very different fuel-constrained world.

> **"Where India will be in the next 10 years will be determined over the next 18 months... The good as well as bad news is that India has the world's attention"**

■ *What about the environment concerns of the industrialised world?*

■ There is a debate over whether the industrialised world, having polluted its way to success, now has the luxury of talking about how to deal with sustainability, but there are cost constraints. Chinese use water four times less efficiently than the global average and 10 times less efficiently than the Japanese. Water tables have been declining in China. Six hundred million Chinese drink polluted water every day. The Gobi desert is advancing. There are even proposals to move Beijing as the capital of China. The Chinese are very focused on environmental measures that need to be taken not because they are as concerned about the consequences on global warming or health issues but because of the economic consequences of not being able to sustain growth.

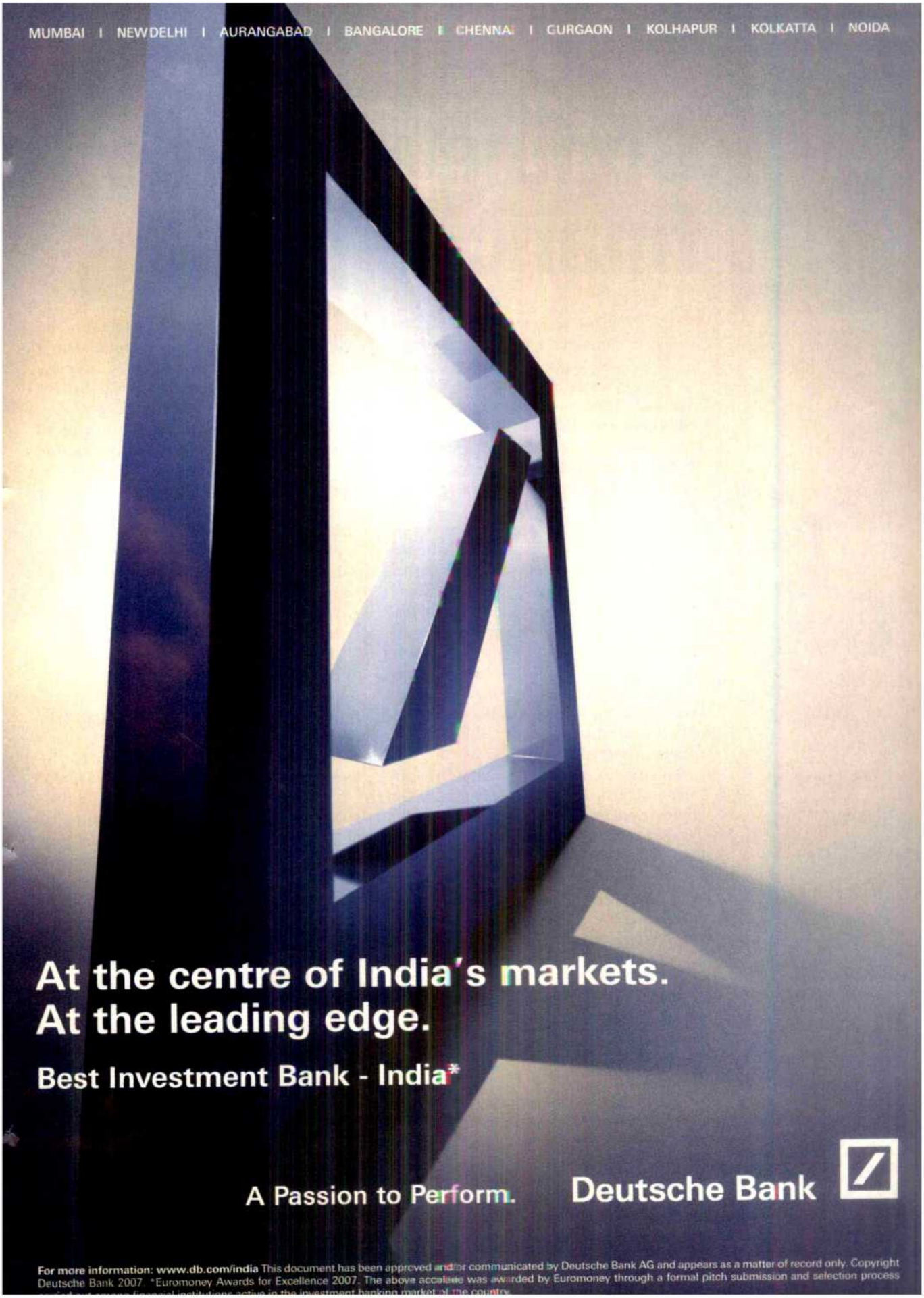
When I was in China not too long ago (even before the recent tainted food scandal), a food manufacturer said that there are 300 laws on food safety issues. So now you have very rapid transmission of popular disaffection — consumer groups, labour groups, civic groups and so forth — so democratic governments have to be more conscious about what's the impact on population security.

■ *What about the abundant skill set in India against the ageing population in Europe and Japan?*

■ Well, of course India has the most attractive demographics of any of the large economies in the world, unlike China, which is one of the most rapidly ageing populations in the world — where the over-65 population will double over the next 15 years. In fact, the US and Australia are the only two OECD (Organisation for Economic Co-operation and Development) industrialised countries that have replacement rate population growth. All the rest have negative population trajectories.

We were just looking at a statistic earlier today about India's working age population reaching 734 million people in 2007. That's 17 per cent of the world's working-age population. China will have close to 250 million teenagers in 2020 and India, 450 million. I think this reflects the changing pattern of the coming working age population. The real challenge is to find jobs for them because one of the striking features of the Indian economic profile is the relatively small number of people in the organised economy. Going forward there will be demand for both skilled management and skilled work force. And that's the real problem for the government — to provide quality education.

The advent of low-cost telephony and the digitisation of data is what basically opened up the Indian labour market to become a part of the global labour force. That's what essentially helped unlock some of the potential of the Indian labour market and build this economic potential. ■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Paul Samuelson is the 1970 Nobel Prize winner for Economic Sciences

Coping with the financial panic

It's better to worry unduly about the health of the economy than worry too little. Some advice for government leaders

TODAY, Federal Reserve head Ben Bernanke admits that nobody is able to guess how near to bankruptcy the biggest banks in New York, London, Frankfurt and Tokyo might be as a result of the real estate crisis. As one of the pioneer economists who helped create today's new-fangled securities, I plead guilty that the new mechanisms both mask transparency, and tempt to rash over-leveraging.

Why should my non-economist readers care about the above technicalities? The best reason is that we must worry whether the policy tools that served so well for Alan Greenspan's Federal Reserve and for the Bank of England will now have to be changed. It used to be enough for the central bank to 'lean against the wind'. That is lowering its interest rates when deflation threatens. And when business growth is too brisk, central banks raise their interest rates to forestall price-level inflation that threaten to exceed 2 per cent per year.

This month, central bankers and treasury cabinet officers cannot know whether current interest rates are high or low. Surprising, but true. Safest bond interest rates are indeed low. But financial panic engendered by the burst bubble of unsound US and foreign mortgage lending means that even mammoth GE would find it expensive now to finance a loan needed to build a new and efficient factory.

New, rational regulations that discourage predatory lending and rash borrowing could have helped a lot. As we learnt in the Great Depression, the government's treasury and its central bank must be both the lenders and spenders of last resort. Speculative markets will not stabilise themselves.

The art of best policy is actually the middle way. Not too much freedom for market forces. And definitely not too little freedom.

China, India, Russia and Ireland are currently growing at almost twice the pace of the United States and core European Union countries. Gone are the days when a US president could command the ocean tide to come in and command it to go out. The US population is 5 per cent of the global total. And still it enjoys per person about 20 per cent of total global output. That's the picture now. Will this last?

When I come to write an article like this 10 years from now, I believe America may still lead the pack in average real per capita affluence. But in all probability, China, which has already displaced Japan as the economy with the second biggest total gross domestic product, will likely, by 2017, have a total GDP equal to America's. When that happens, a typical Chinese family will still be a lot poorer than a family in the United States. Remember, China's population is several times that of America.

Don't ask me what the dollar will be worth in 2017. President Bush will be retired on his Texas ranch, but rash 2000-2007 tax-cut-and-spend policies will, by then, have harvested the follies that his administration foolishly sowed.

Since we live in the short run, here are my tentative suggestions about what to do in 2008.

Watch the developments. If America's Christmas retail sales fail badly then be prepared to accelerate credit infusions by central banks on the three main continents. Be aware that the skies will not fall if the price-level indices blip up from 1.9 to 2.6 per cent per annum. What worsens the public's expectations about price instability is excessive spike-ups in the cost of living chronically maintained. Finally, to reduce the burden of mass foreclosures of over-expensive mortgages, explore new quasi-public agencies that specialise in supplementing for-profit ordinary lenders.

Maybe such novel innovations will turn out to be not needed. But keeping in mind worst-case freezing up of bank and other lending agencies, advance exploratory planning will be worthwhile insurance. What the world does not need now is tolerance for any persistent weakness in global Main Street growth. ■

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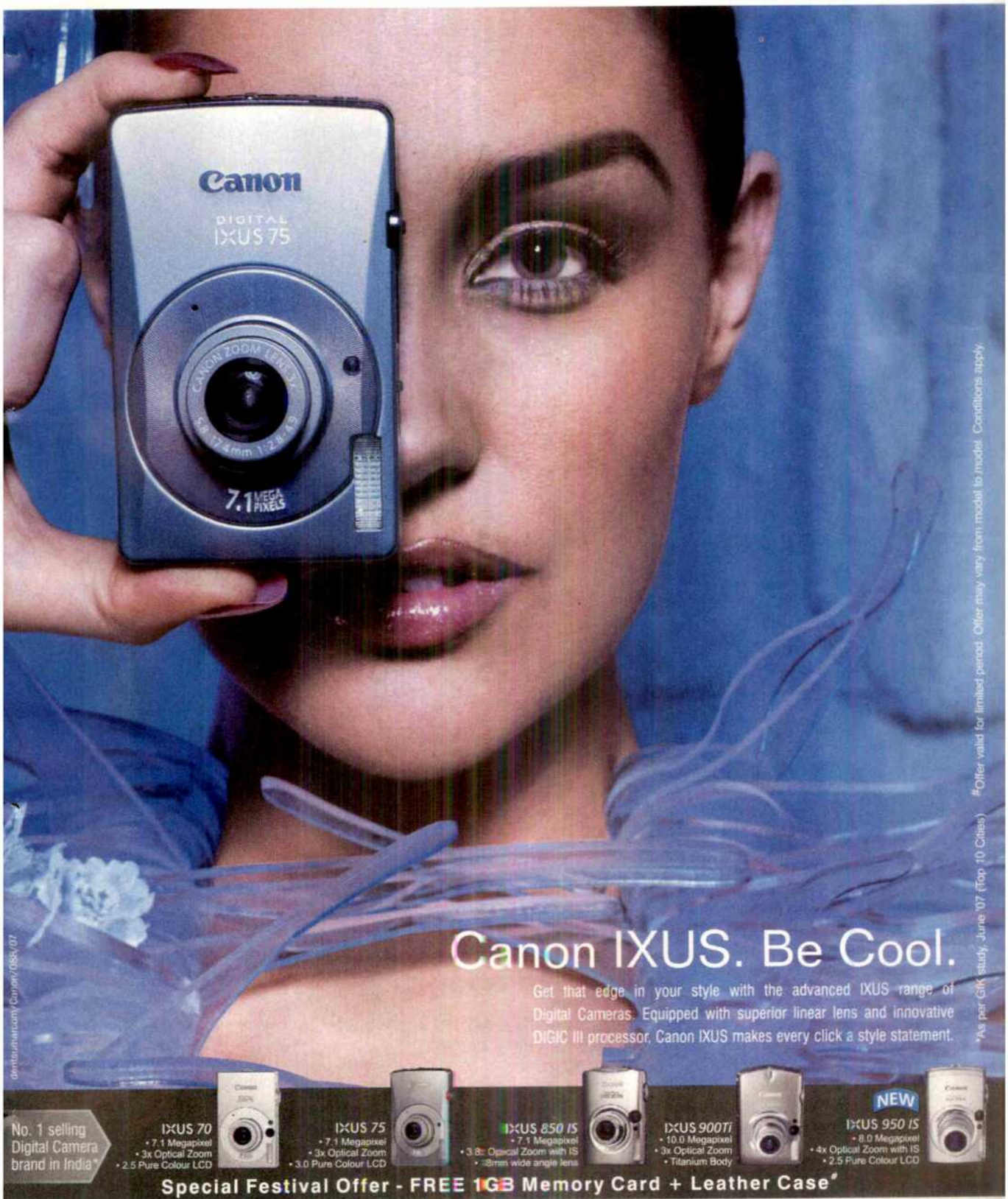

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Dromoland Castle in Ireland; stop

I was driving from the spectacular Cliffs of Moher towards Galway city in the West of Ireland when I noticed Dromoland's imperial gateway proudly standing out amidst the lush green Irish scape. As I pulled closer I couldn't help but marvel at the sight of the stately manor. I wondered if a king still lived here. Wondered what history its walls were smeared with. I could almost hear battle cries and canons resound from a time long gone by. Little did I know of the reality check awaiting me inside. Courtrooms had given

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way to award winning restaurants, royal chambers into deluxe suites and battlegrounds tempered to a championship level golf course. I was introduced to The Dromoland Castle Hotel; rated among one of Europe's finest five star luxury destinations and once home to the acclaimed King O'Brien. And yet none of the regality had lost its sheen. The rooms were majestic, the service and cuisine only befitting the likes of a king. As I soaked in all the sheer magnificence and grandeur around me, I realised that nothing had really changed in Dromoland Castle in the last 400 years.

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The Logic of faith

Implicit belief, beyond the rules of reason, drives investors' decisions when it comes to Reliance Industries.

By Dinesh Narayanan and Baiju Kalesh

IN a bull market, there are shares that often defy conventional wisdom with a sort of impunity that stumps even the most seasoned investors and analysts. But one stock that consistently demands faith beyond numbers is that of Reliance Industries (RIL); and the faithful are rewarded if they are unquestioning.

An analyst who has been tracking the company for several years has found, to his dismay, that the stock is so full of surprises that its price can never be forecast from the numbers and facts in the company's quarterly disclosures and annual reports. He has believed for the past one year that the share was overvalued. "From the facts I have before me, the stock is still overvalued, but it continues to move up," he says on condition of anonymity. "I don't know why. As an analyst I cannot recommend the stock to any client at such a high price. Yet, my call is going wrong."

Mumbai-based day trader Atul Gandhi, who first bought Reliance shares in its maiden IPO, agrees. Gandhi does not own any Reliance shares now because he believes that it is overpriced. "*Is bhav pe to lene ka sawaal hi nahin hai* (there is no question of buying at this price)," he says.

The RIL stock has rocketed from Rs 1,181 per share on 12 December 2006, to a high of Rs 3,235 per share on 9 November 2007. With a weight of 15.7 per cent in the Bombay Stock Exchange's (BSE) Sensitive Index (Sensex), it has been the driving force behind that benchmark index's stupendous run — from 14,500 to 20,000 in just a little more than two months. The stock has surged in the face of a slew of news that portended a setback to many of its initiatives.

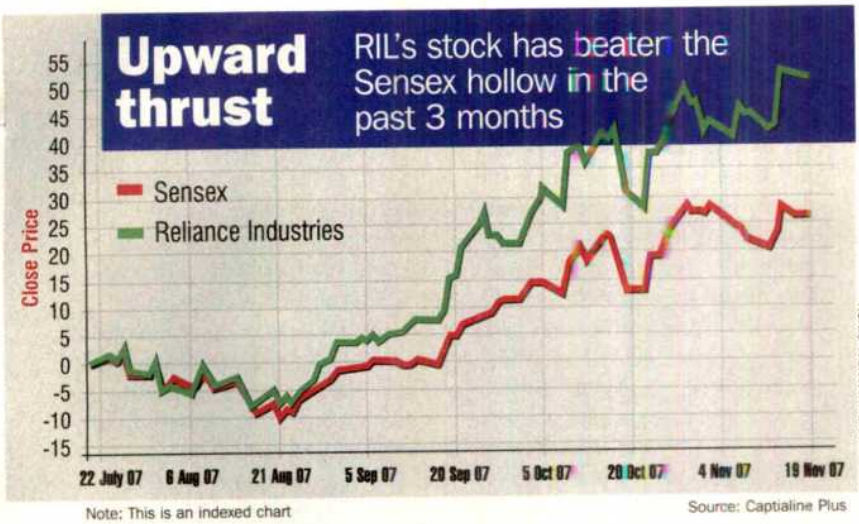
Spanner In The Works

Several reports said that the company's retail venture is in disarray after widespread opposition from small traders in states like Uttar Pradesh, Kerala and Bihar forced it to shut down several of its stores. They suggested that the company might have a huge task mollifying a variety of constituencies to stay in business in many states. It has reportedly decided to withdraw from Uttar Pradesh, at least for the time being.

In a presentation made at an investors' forum in September, RIL said that it could pump in about Rs 10,000 crore into the equity capital of Reliance

SANJIT KUNDU

PILLAR OF FAITH: Mukesh Ambani holds on to stakeholders' trust with future plans and current figures



Graphic: MADHUMANGAL SINGH

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Retail. Over the past one year it had opened 300 stores in 30 towns and cities, it said. Yet, RIL Chairman Mukesh Ambani acknowledged to shareholders at the 33rd annual meeting on 12 October that there were concerns in certain quarters about the rollout of its retail stores. "These concerns have sensitised Reliance to enhance the level of engagement and inclusiveness with all constituents," Ambani told them.

However, investors and analysts do not seem to be too worried about the setbacks in retail. "The retail business of RIL has sort of taken the back seat in terms of value creation," an analyst with a global broking firm told *BW*. "It forms only about Rs 200, or less than 5 per cent of its share price. The stock price is now driven by the promise of its oil and gas business." That business is yet to generate any revenue.

RIL has also suffered a setback in Iraq, when the government of that country threatened to blacklist the company after it struck an oil deal with the Kurdish regional government, without approval from Baghdad.

"Any company that signs contracts with the Kurdish regional government without the approval of the central government will compromise the chances of getting future opportunities in Iraq," Iraqi Oil Minister Hussain Al-Shahristani is reported to have said. Iraq holds the third largest proven reserves of crude oil in the world.

RIL had signed a contract with the autonomous Kurdish government for two blocks in the northern part of the strife-torn country. The blocks have an estimated 80 per cent oil-bearing structure. The company has paid around $15 million (Rs 60 crore) as signing amount, but Baghdad is yet to approve a federal hydrocarbon law that would govern deals with foreign companies in the oil-rich nation, international media reports say.

The setback also comes within weeks of Mukesh Ambani saying that the company was planning to take its refining and exploration business global. "I am confident that Reliance would see more discoveries in the coming years through an aggressive exploration programme both in India and globally," Ambani said. He said RIL had set a target of securing reserves of 10 billion barrels of oil equivalent. "The pathway to this target will also involve engaging in several world-class partnerships."

RIL is also slightly behind schedule in beginning production from its oil and gas assets on the eastern coast of the country. It was scheduled to begin pumping gas from its wells in the Krishna-Godavari basin in early 2008 but is now likely to start production in the second half of the year. Though that is a blip rather than a setback, its plans may go awry if the court cases on gas sale to power producer NTPC and the Anil Ambani Group (ADAG) continue to drag on.

Yet, "That is one possibility that no one seems to be concerned about," says an analyst with a local broking firm. In fact, research reports of leading firms rarely mention it when discussing RIL's exploration and production business. Immediately after the company revealed its second quarter performance, which beat investors' expectations with a 28 per cent rise in profit, several top broking firms tried to analyse the value of each segment of the company's business. Most of them valued its exploration and production (E&P) business very high.

Going Deeper Underground

Analysts Pradeep Mirchandani and Adarsh Parasrampuria of JP Morgan estimated in a report on 11 October titled 'Never too late (to invest)' that RIL's E&P business was worth Rs 942 per share and the refining business was worth Rs 829 per share. They estimated the share price to go up to Rs 2,875 each based on the sum of RIL's parts. Similarly, Somshankar Sinha and Dheeraj Vaidya of foreign broker CLSA valued the E&P business at Rs 987 per share.

Ineffective speed breakers

- **RETAIL RIOTS:** Reliance Retail is facing stiff opposition in many states such as Uttar Pradesh and Kerala. It has shut down its stores in Uttar Pradesh
- **OILY MESS:** An oil production sharing agreement with the Kurdistan government has gone sour with the Iraqi government threatening to blacklist Reliance
- **COURTING TROUBLE:** RIL's ability to sell gas and the price it would command when production begins next year is still uncertain with NTPC and ADAG fighting it out in court
- **LOCAL AGITATION:** The company's Navi Mumbai special economic zone project is facing stiff resistance from locals. The Shiv Sena is leading a sometimes violent agitation against the company.

"The setbacks that RIL has suffered, such as that in retail, are minor irritants," says Arun Kejriwal of KRIS Research. "The company can absorb these shocks easily." He argues that RIL is one of the most desirable companies in any portfolio precisely because its stock is the most weighted on the Sensex. It is also the world's largest integrated player, from oil and gas exploration to plastics and polyester. "Buying one stock gives you an exposure to a wide spectrum of industries," Kejriwal says.

Given its weightage in major indices, its status as India's most valuable company when measured by market capitalisation, and its breadth and depth, it is very difficult for fund managers to ignore the stock. "It would take tremendous amount of courage in a fund manager to not include RIL in his portfolio," says the chief executive of a mutual fund. "He would need to come up with a very solid explanation." One analyst says several of his clients deserted him once he became bearish on the RIL stock.

RIL worshippers believe that the company is probably worth Rs 10,000 per share. "The stock is quoting at six times its expected earnings of fiscal year 2008-09," says K.P. Ostwal of CNI Research, a private investment and research firm. "In my opinion, it requires a price earnings multiple of at least 20."

Ostwal says that India is moving towards becoming a gas-based economy and its dependence on oil would decline over the next few years, benefiting RIL, which owns the country's biggest gas fields. The retail business will add value once it goes for an initial public offering. Further, Ostwal says, it has gone largely unnoticed that RIL has, through its investment arms, acquired stakes in companies with huge land banks. It may hive them off into a separate company to unlock value, he believes. Mukesh Ambani told shareholders at the annual general meeting that the company has marketable securities, including its holding in Reliance Petroleum, of $28 billion or Rs 1,10,000 crore.

More To Come

The RIL share price seems astronomical, but sources close to the company say that it barely reflects the company's aggressive plans. They say it would initiate a major group restructuring that would again fuel its share price and market capitalisation. They believe that Mukesh Ambani is waging a market-cap battle with brother Anil Ambani even though publicly he has denied any obsession with personal wealth.

"Frankly, I am amused by these reports," Mukesh Ambani said of media reports on his wealth. "If Reliance grows and India prospers, it matters little to me whether my personal fortunes are measured in billions or millions." On the Forbes' richest Indians list, Anil Ambani, with a personal fortune of $45 billion, ranks third, just below brother Mukesh who is richer by $4 billion.

A restructuring of the group would enhance the notional wealth of Mukesh as it would unlock tremendous value. After the revamp, there will be four major companies — RIL, Reliance Petroleum (RPL), Reliance Infrastructure and Reliance Retail — each of which will be ready to accept equity partners.

RIL plans to hive off its Jamnagar refinery, which it converted into a 100 per cent export-oriented unit, and merge it with Reliance Petroleum . US multinational Chevron Corporation, which already has a 5 per cent stake in RPL, is then expected to increase its holding by another 21 per cent, the sources say.

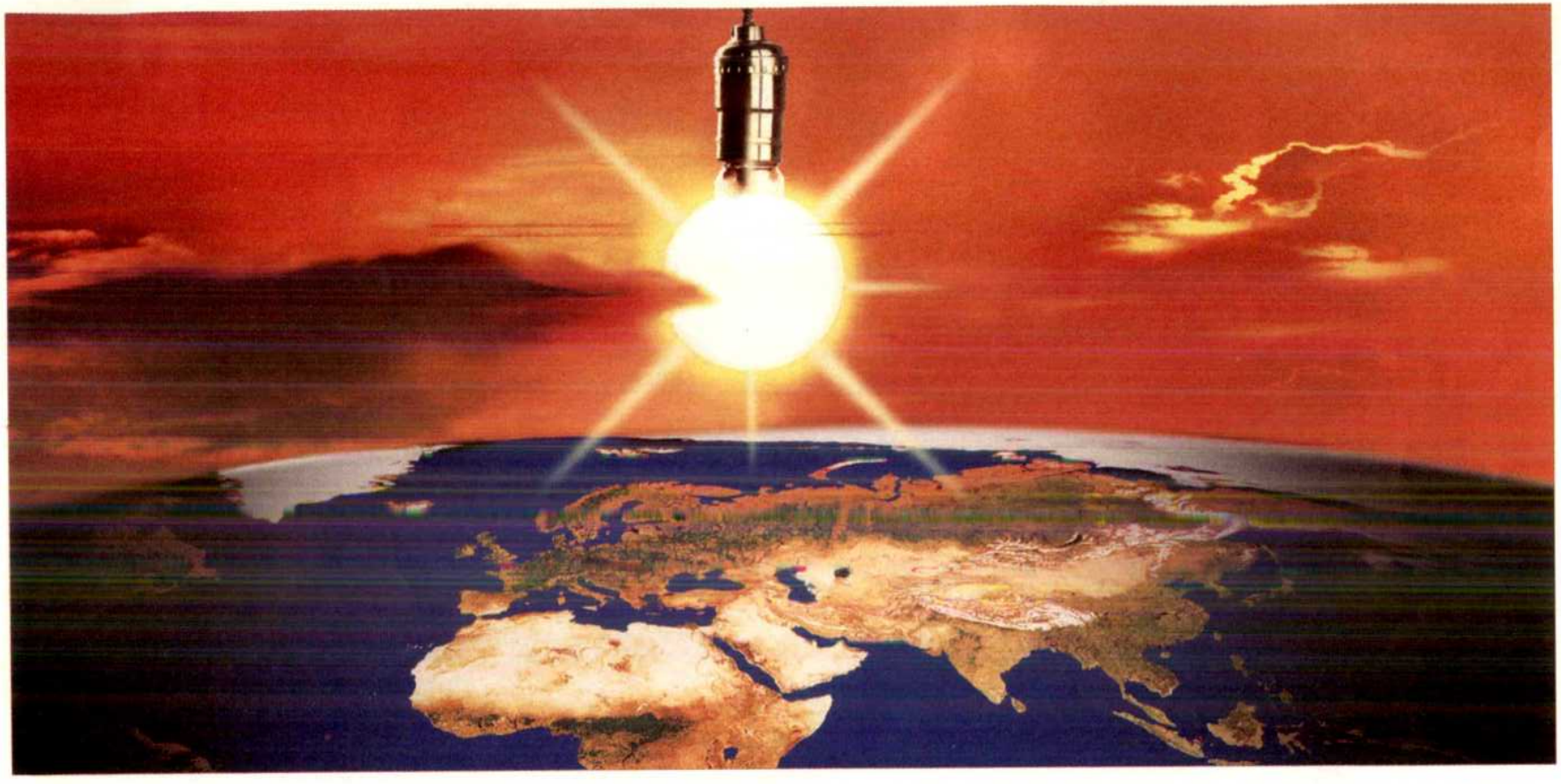
Indications of the RIL group changing gears and strategy came in the chairman's speech at the shareholders meeting on 12 October. Mukesh Ambani said that the company was abandoning its strategy of pure organic growth and "actively pursuing an acquisition mode of growth". He pointed to the acquisitions of Malaysian polyester maker Hualon Corporation and fuel retailer Gulf Africa Petroleum Corporation as first steps.

The other shift is from full ownership to partnerships. Acknowledging that it may not be possible for the company to pursue a full-ownership model across new ventures, Ambani said, "Reliance envisages an ecosystem of partnerships with global companies that can be value-accretive." The association with Chevron and with world leaders in consumer products in organised retailing, he pointed out, are pointers to the shift in growth strategy.

For investors, it does not matter, really. Many of them now are faithful converts. They believe that the management of the company will do everything in its power to keep the share price on the boil. As Mukesh Ambani said at the annual meeting, "Reliance always delivers more than it promises." It's just difficult to predict how much more. ■

Drilling success

AFTER Reliance Industries beat Dalal Street expectations of its second quarter performance and Mukesh Ambani outlined the future course of the company, it has practically been a free run for the RIL stock. Almost all major broking firms have raised their price forecast of the share, betting on RIL continuing to make stunning oil and gas discoveries in the Krishna-Godavari basin. Its overall success rate in hydrocarbon finds is 62 per cent but rises to 79 per cent in deepwater fields. In a sum-of-the-parts analysis of RIL share price, most analysts have given the maximum weightage to exploration and production (E&P). Citigroup Global Markets estimates that the share should now be priced at Rs 2,860 each, with the E&P business contributing Rs 972 to the price. Prime broker UBS, which has just initiated coverage of RIL in an 11 October report titled 'Never too late', puts the E&P business's value at Rs 942 and the fair price of the share at Rs 2,877 each. Foreign broker CLSA has a more conservative estimate of the RIL share price at Rs 2,192 with an 'outperform' rating, but the recommendation is of 21 September. Since then most analysts have revised their forecast. CLSA had then valued the new upstream businesses at Rs 987 per share. The share beat all forecasts touching Rs 3,235 on 9 November even though it has now lost some ground. ■



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STAR WARS: Though the new channels are being launched amidst much fanfare, they don't offer anything new

Two former Star TV chiefs join the battle for the cable TV audience's attention

The more. the messier?

GURBIR SINGH

ENTERTAINMENT television can be like a soap opera: dreams, drama and declarations in a bid for the audience's heart. Two men who headed the largest TV network as CEOs of Star Entertainment and Star India, and who left earlier this year to start their own outfits, have made their plans public. On 12 November, Peter Mukerjea launched his flagship channel 9X. Around the same time, Sameer Nair, now CEO of NDTV Imagine, announced that his Hindi entertainment channel would be on air next January.

The airwaves are getting really crowded; for the consumer it's a feast. 9X has launched a bagful of shows that include Balaji Telefilms' *Kahe Naa Kahe* — described as a drama of "a small town girl with extraordinary dreams". The other big shows include *Jiya Jale*, a first-time series produced by quiz master Siddhartha Basu, and *Mere Apne* — a family drama featuring an ageing Vinod Khanna in a production from Smriti Irani.

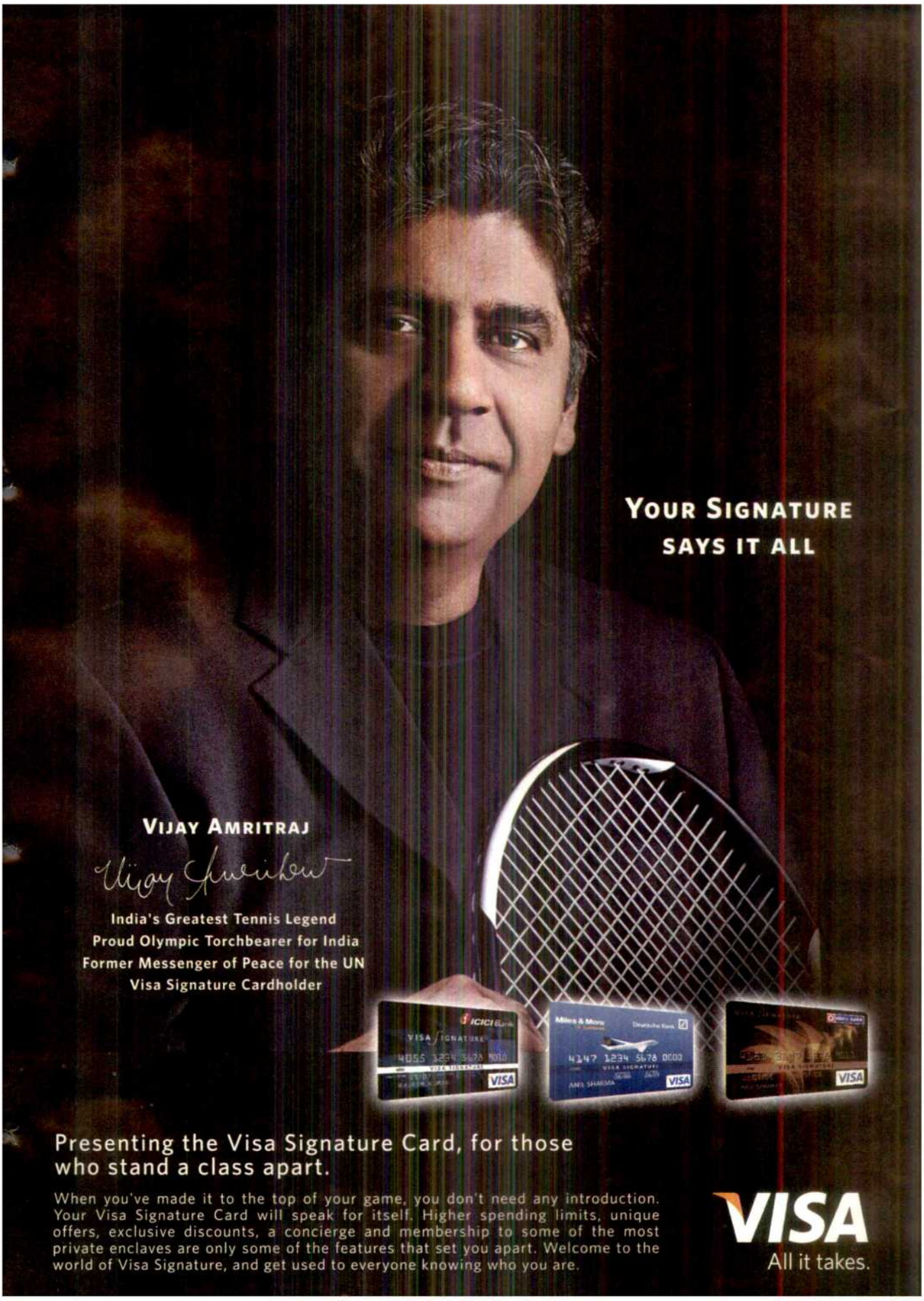
NDTV Imagine's menu could have been cooked in the same kitchen. There is *Dharam Veer* produced by Sagar Arts — "a show about friendship, loyalty, rivalry and creating innumerable adventures". There's a comedy *Jasuben Jayantilaal Joshi Ki Joint Family*; and then something that seeks to rival Zee TV's *Betiyaan* called *Radha Ki Betiyaan Kuch Kar Dikhayengi*.

Neither newcomer offers anything radically different. "We have the regular mix," says Nair. "It is how you present it that makes it different." Talking about 9X's proposition, Indrani Mukerjea, CEO of INX Media says, "It is about the production values; each show looks different."

How will the entertainment universe look after these launches? Will the current leaders Star Plus and Zee TV give way to these new channels or will the challengers' offerings get lost in the stratosphere? Because the established leaders are not exactly idle. Zee TV has announced plans for a youth entertainment channel called Zee Next, scheduled for launch in December. Star Plus and Sahara One are both keeping their new content under wraps, but aver they will be coming out with a slew of shows.

Carpet-bombing The Audience

A lot of money is riding on the new channels. INX Media raised close to $300 million (Rs 1,200 crore) from investors that include Temasek, Kotak and Srei Capital. NDTV Networks raised $120 million (Rs 480 crore) from private equity investors, with another round of funding planned for sometime in April next year. Both networks have attracted the best industry talent available,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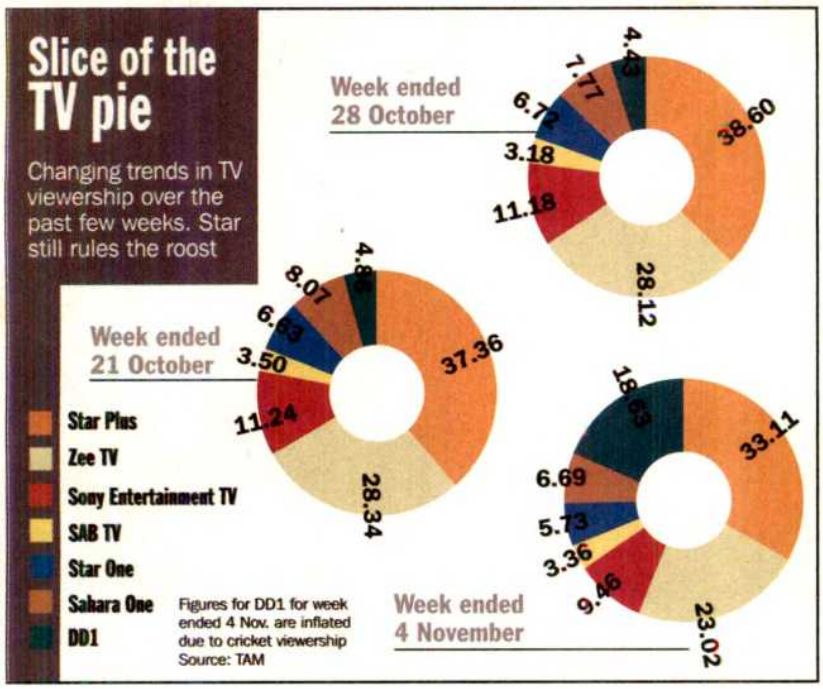

and both stress good production quality. NDTV Imagine will also have the advantage of a strong NDTV brand. As one senior Star executive quipped, "We are going to have two Star Plus Plus channels."

How do these channels plan to break into the elite club? INX's game-plan is to launch two or three heavily-promoted driver shows at a time. Besides playing in prime time, shows such as *Kahe Naa Kahe* and *Jiya Jale* are now being repeated through the day. "It is important to launch the driver shows in small doses so that they create the right resonance," says Indrani Mukerjea.

9X is following up its prime time shows with a launch of its weekend programming from 1 December that includes a musical programme *Mission Ustad* and Ekta Kapoor's *Kya Dill Mein Hai*. The channel's afternoon slots will go on air by 14 January — the same time as NDTV Imagine's launch.

NDTV Imagine expects to provide a wider spectrum of entertainment by including large doses of events and award programmes. "We will deliver a unified audience," says Nair, adding that it will be an attractive proposition for advertisers. The channel will also access Karan Johar's production talent, but Nair says Johar has not begun TV shows as yet, as he was tied up with his latest movie *My Name is Khan*. After his KBC contract with Star Plus expires in 2008, Shah Rukh Khan is expected to add teeth to the channel.

It's A Scramble

Nair says the market is ever-expanding, with no need to take away audiences from competitors. "The audiences will come in when they find there is something special on offer," he says. He may have a point. Four years ago, all-India television viewership ratings (TVRs) of *Kyunki Saas...* were as high as 11 or 12. Last week, TVRs for the same show were 4.5; for Zee's *Banoo Mein Teri Dhulhan* they were 4.2. And the two shows were the No.1 and No. 2 soaps for the week.

INX's Peter Mukerjea sees the gap between the channels narrowing. "When a show touches a TVR of 1.0 in the US, there is a party to celebrate the event," he says. "Much like with the news channels, the same trend will become prevalent." As he points out, there has been no new entertainment channel launch in the past 10 years. A long-time ad sales man with Star, Mukerjea claims the splintered market in entertainment channels will benefit media planning in the long run as advertising is targeted according to the demographic profiles of individual shows.

But Meenakshi Madhwani, chairperson of media audit firm Spatial Access, sounds a note of warning. "Like the dotcom bust, we could be looking at a television bubble," she says. Existing leaders Star Plus, Zee TV and Sony have been consolidating their gains and have attracted subscriptions that account for nearly half their total revenue. New channels cannot charge subscription at this stage, and will be totally dependent on advertising money. "Advertising is growing only at 11-12 per cent; many of the high-end luxury brands are migrating to other platforms as television now represents the lowest common denominator," says Madhwani.

Delivering The Goods

While content is king, distribution is still key. Half the battle for channel promoters is to ensure they reach people's living rooms. Digital cable systems in conditional access (CAS) areas allow for virtually an unlimited number of channels, but CAS currently covers only 5 per cent of the country. Analog cable systems that can have a maximum of 90 channels still dominate, and even among these there is a constant battle to be in the more visible 'prime' and 'hyper' bands that accommodate 25-30 channels.

Getting into the more 'visible' bands is what matters. Decoders have to be connected to remote cable systems, and huge carriage fees need to be paid. Ashish Kaul, spokesperson for Zee TV, estimates each entertainment channel is paying approximately Rs 40 crore as 'carriage fees' every year. That can be a killer in other ways. For instance, the Hindujas' IN Cable network in Mumbai replaced a few Zee channels from the top slots in north Mumbai.

Rohington Dadyburjor, Hathway Cable's distribution head, agrees that a dog fight is on. In many markets, regional channels are being edged out, he says. Consumer resistance to paying subscription fees for new channels is another major factor. "Even the excitement of T20 did not add much subscription to recently-launched Star Cricket," he says. "People are willing to watch something new, but only if it comes free."

It's all about the money. Hindi entertainment television commands 80 per cent of the Rs 6,000-crore TV advertising market, but that's not all. Entertainment also drives the unofficially estimated Rs 25,000-30,000 crore cable TV market. There's a lot worth fighting over. ■

William Pesek provides expert comments on economics, business, markets and politics. He is the Asia-Pacific columnist for Bloomberg News.

Time to find a dollar substitute

Is the dollar losing its lustre? Ask the world's rappers and models

THAT Dollar Isn't Funny Anymore", economist Stephen Green and his colleagues at Standard Chartered Bank titled a recent report. The dollar's swoon has gone from amusing to sobering in Asia. The dollar's about-face may affect Asia more than any region outside the US.

You don't have to read the financial pages to see that the dollar's ruling days are numbered. Keen insights can also be gained perusing gossip columns. Much interest followed rapper Jay-Z flashing a stack of 500-euro notes in his latest video. He seemed to know what many hedge-fund managers were slow to grasp: Europe's single currency is in, the dollar is out. Similar intrigue accompanied reports that Brazilian supermodel Gisele Bundchen was a dollar bear. Somehow, Asians didn't much care that Warren Buffett of Berkshire Hathaway was down on the dollar. Yet reports about the rapper's and the model's preference for euros turned heads and made headlines in Asia.

"Rappers and models are not renowned for their financial prowess, but, in fact, these examples are more important", says Mark Matthews, Hong Kong-based strategist at Merrill Lynch.

Take the case of Thailand 10 years ago. It was private capital flows that decided the fate of the currency, not central bankers or politicians. "As was the case with the Thai baht devaluation, we cannot have a clue as to the specifics of what happens if the dollar loses its status," Matthews says.

Again, what a couple of celebrities do with their fortunes doesn't necessarily portend a dollar crash. Yet, taken with other signs of the dollar's waning appeal — including its 14 per cent drop against the euro in the past 12 months — such anecdotes are food for thought.

Thickening the plot is Henry Paulson's benign neglect. The US treasury secretary is dropping no hints of serious concern about the dollar's slide. Nor has he proposed a way to get to the bottom of the US subprime loan crisis and keep it from occurring again.

The sense of economic drift in Washington is the talk of Asian markets, and it's partly why the dollar is losing favour. In 1971, one of Paulson's predecessors, John Connally, said, "It may be our currency, but your problem."

The risks to China alone are daunting. "If the US dollar were to collapse and remain weak, Beijing would face an intense dilemma," Standard Chartered's Green wrote in a report recently. Maintaining an undervalued currency is the key to creating the millions of jobs China needs to maintain stability. That effort will be complicated by the yuan becoming cheaper against the euro and Asian currencies.

The rest of Asia would have serious adjustment problems, too. The region remains wedded to weak exchange rates and the loss of competitiveness would be felt from Tokyo to Jakarta. The challenges would increase once Asian central banks begin moving their vast currency reserves out of dollars to avoid losses.

Looked at another way, a shift away from the dollar could be a plus for Asia in the long run. While destabilising and disorienting, it's not a given that the dollar's demise would lead to a global recession. That didn't happen in the second half of the 20th century when the dollar unseated the British pound. Will rampant globalisation since then and the increased complexity of investments lead to a bumpier transition this time? What eventually replaces the dollar? The euro? The yuan? A single Asian currency?

Even so, as more investors realise how vulnerable the dollar is, their money will need to go somewhere. "Some of it is going to where there are better growth prospects, namely Asia," Matthews says. "Asian stocks have been going up, and will continue to go up, not only because of what's happening here, but also because of what's not happening elsewhere."

What the dollar's demise means is debatable. What's not is that the currency is losing its lustre in a region that has long embraced it. ■

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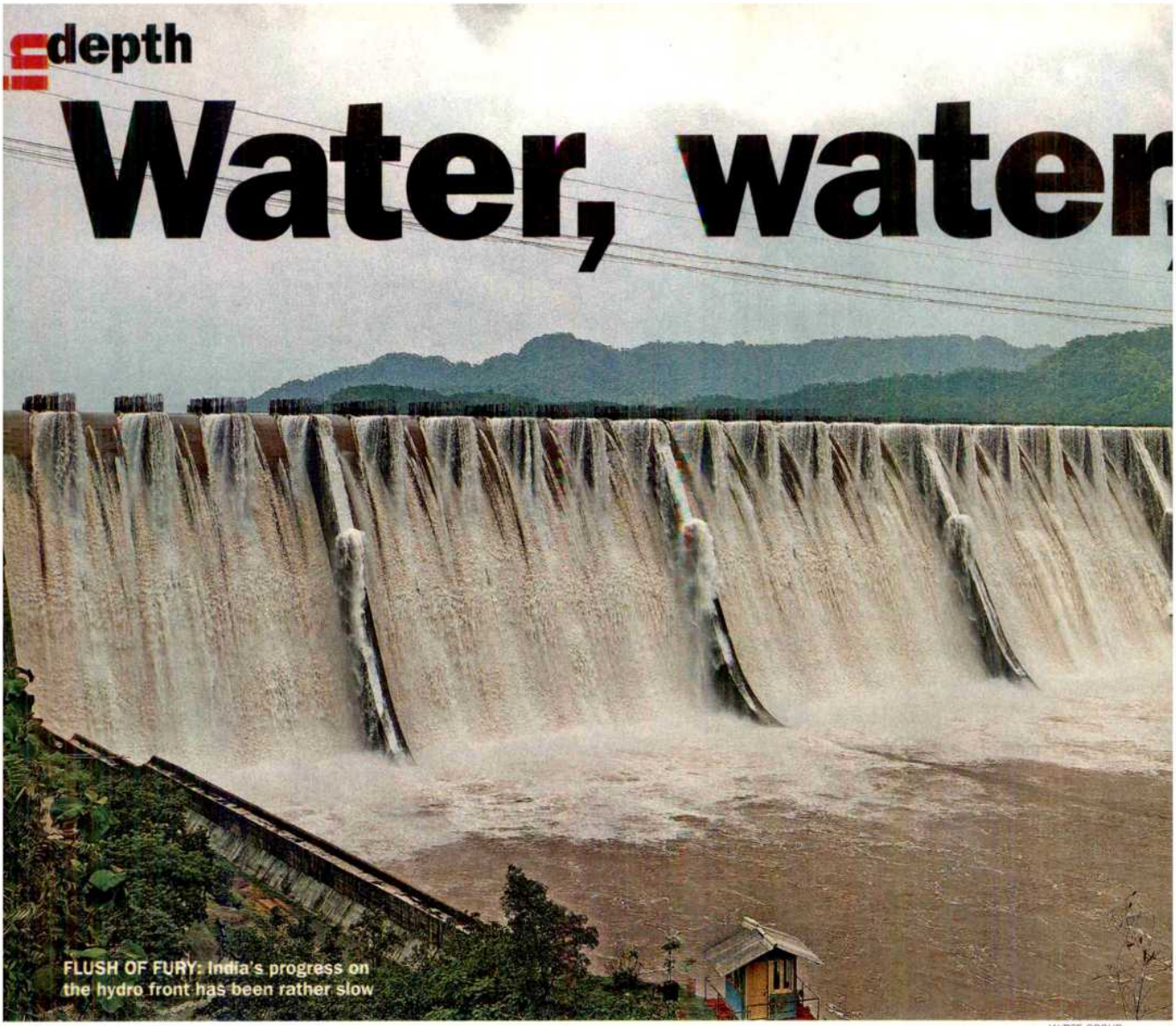
Water, water



FLUSH OF FURY: India's progress on the hydro front has been rather slow

JAYPEE GROUP

IN the 1960s, when India's first hydropower project (Bhakra Nangal Dam) was commissioned, the country did not know what to do with excess power. The government, in fact, set up fertiliser plants just to ensure offtake. Consumers were lured to draw more through low tariff offers, recalls Gurdiyal Singh, Central Electricity Authority (CEA) member for hydro power. Hydro accounted for nearly half the installed capacity then.

Forty years down the line, the contrast could not be more pronounced. While India is reeling under a huge power shortage, hydro accounts for just a fourth of the total installed capacity of around 100,000 mega watts (MW).

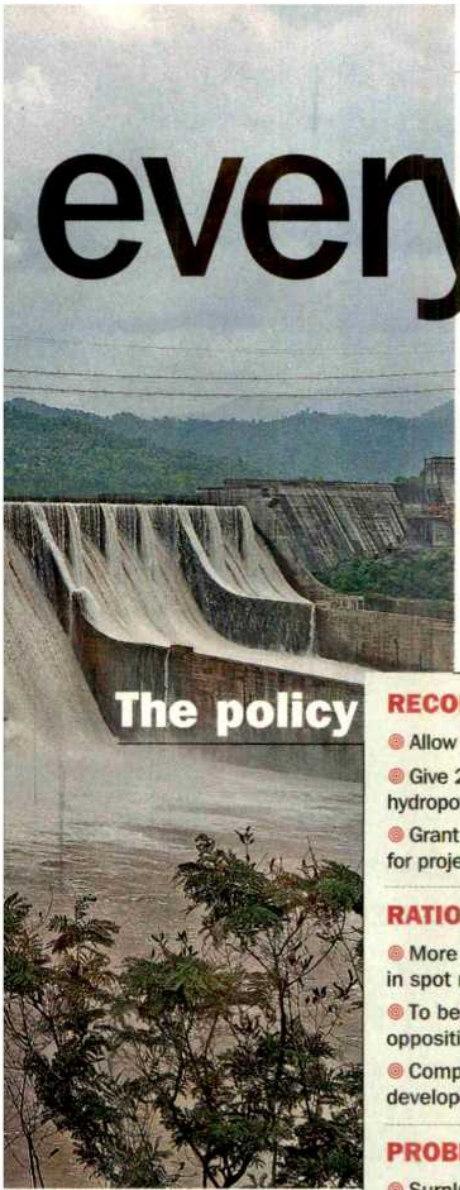
India's progress on the hydro front has, after the initial spurt, been tepid. Till now, only 21 per cent of the potential hydro capacity is developed. Singh says that while initially there was not much opposition to hydro power projects, it was in the 1970s that environmental and rehabilitation concerns came to the fore. "The tilt to thermal power projects started then," he says. But he adds that after a surge in demand, India realised the importance of hydro. In 1998, a special policy for hydropower was announced. Projects were to be cleared in a time-bound manner and compensation for resettlement and rehabilitation provided. More importantly, projects over 100 MW were to be awarded on a competitive basis. In 2003, the government said that a pre-feasibility report for 50,000 MW of hydro power would be prepared. Of this, 77 projects with a tariff lower than Rs 2.50 a unit were identified to be taken up by the states.

The policy, however, did not achieve the desired result as most states continued to award projects without competitive bidding. Not surprisingly, three-fourths of the projects still remain in the public sector, with central PSUs such as National Hydroelectricity Power Corporation (NHPC) and North Eastern Electric Power Corporation accounting for the bulk. Only 4 per cent of the installed hydropower capacity has been commissioned by the private sector till September, according to the CEA.

NHPC, set up in 1975 for executing hydro-power projects in India, has the largest share of about 12 per cent in the total installed hydropower capacity of around 20,000 MW. Even under the 50,000-MW scheme, only 32 projects with a generation capacity of 18,000 MW have been taken up.

everywhere...

...but not much power generated as the share of hydropower in India's scanty power basket comes down further and new capacity is yet to be developed. By Vishaka Zadoo



The policy

RECOMMENDATIONS

- Allow 40 per cent merchant sales
- Give 2 per cent of power generated from the hydropower plant to locals
- Grant five-year exemption to private developers for projects from selling power through bidding

RATIONALE

- More flexibility to the developer to sell power in spot markets
- To benefit local population and reduce opposition to the hydropower projects
- Competitive bidding for lower tariffs, which developers may not find conducive for projects

PROBLEMS

- Surplus transmission is capacity required for spot sales, otherwise non-existent in India
- Complications likely over power distribution
- Wait for fair and competitive power market becomes longer

Thorny Issues

Manoj Gaur, chairman of Delhi-based infrastructure group Jaiprakash Industries, says that land acquisition and government clearances pose the biggest hurdles. Jaiprakash has the largest share (58 per cent) in private hydropower in India. Uncertainty in the time-line for clearances is one of the main reasons why the private sector is staying away, he complains.

Power ministry officials admit that states have not done much for the locals, despite getting 12 per cent free power. "This leads to alienation," an official says. In addition, CEA member Singh says that the net present value being used for compensating the government for forest land, has made the projects unviable. "In addition to planting double the size of the forest land, the developer is expected to pay the cost of a sapling that would grow into a tree in 20 years!" says Singh.

The sector also faces inconsistency in hydro-policies among states. While Himachal Pradesh asks for upfront premium per MW, Arunachal Pradesh awards projects to companies promising highest upfront payment per MW plus equity. Uttaranchal asks for upfront premium above the Rs 5-crore per project reserve price, says Gaur.

Each state has a unique problem. Himachal has an advantage of being closer to the grid, unlike north eastern states. However, private companies that were awarded power projects — the 480-MW Jhangi-Thopan and 480-MW Thopan-Powari (Dutch company Brakel), and the 260-MW Kuther project (DS Constructions of Delhi) — are now refusing to make the upfront payment promised. Both want to include these in the tariffs. In fact, DS Constructions has filed a case against the state government in the high court over altering the policy after the projects were awarded, say sources in the company and the power ministry.

In Arunachal, National Thermal Power Corporation, too, is facing problems. According to power ministry sources, NTPC has told the Arunachal government that it cannot offer upfront premium for projects unless it assessed their potential. The state, on the other hand, cites the interest evinced by many a private sector player. It recently awarded three projects to Reliance Energy, DS Constructions and Jaiprakash Industries. Singh says it will be difficult to bring uniformity in the way states award projects. "Water is a state subject," he says. "Some states are closer to the grid than others, hence the different premiums."

More worrying, according to Planning Commission Principal Advisor for Energy, Surya Sethi, is the problem of evacuation. "What is the point of generating more power in the absence of adequate transmission lines?" says Sethi. He says that transmission poses a serious problem in the north-eastern states, which hold great potential for hydropower. "The main problem is evacu-

Grim scenario

Growth of installed hydro power capacity

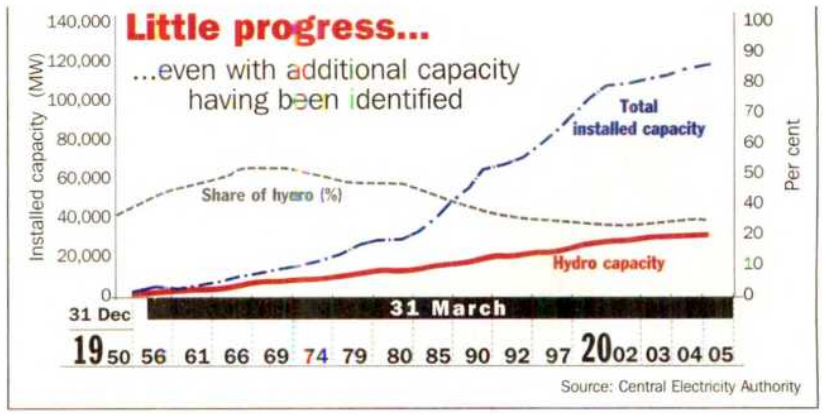
Region	Identified capacity (MW)	Capacity developed		Capacity under development		Capacity yet to be developed	
		MW	%	MW	%	MW	%
NORTHERN	53,395	13,001	24.35	7,488	14.02	32,905	61.63
WESTERN	8,928	5,588	62.60	595	6.66	2,744	30.74
SOUTHERN	16,458	9,062	55.06	1,017	6.18	6,379	38.76
EAST	10,949	2,389	21.82	2,751	25.13	5,809	53.05
NORTH-EAST	58,971	1,202	2.04	2,684	4.55	5,5084	93.41
Total	148,701	31,245	21.01	14,535	9.77	102,921	69.21

As on 30.9.2007

Source: Central Electricity Authority

ation through a narrow chicken-neck between Bhutan and Bangladesh." The region has been reluctant to use the eastern grid due to high transmission charges of Rs 1.40 per unit. CEA's Singh says the narrow strip falls under West Bengal and though it has given permission for right of way, the completion of transmission lines will take 20 years.

States in the north-east also share a common river basin, leading to disputes. NHPC's Subhansiri project is stuck with both Assam and Arunachal claiming it to be theirs.



Source: Central Electricity Authority

New Policy To The Rescue?

To resolve the problems, Gaur says, the government must make hydropower a "mission". The power ministry is, in fact, in the process of formulating a new policy, which may need few loopholes plugged before being announced.

According to government officials involved in drafting the proposed policy, private players may be allowed to sell 40 per cent of the power in the spot market. In other words, the developer will not have to enter into long-term power purchase agreements for the entire generation. Also, the five-year exemption accorded to central PSUs for competitive procurement will be extended to the private sector.

For creating acceptance among locals, it has also been proposed that 2 per cent of power generated be given free to them for 10 years. Both the state and the developer will chip in with 1 per cent each. This is in addition to the 12 per cent free power the state is entitled to.

The new policy already has its share of dissenters. The Planning Commission has written to the power ministry that the new policy has not addressed issues relating to evacuation, funding and infrastructure required to develop large scale capacity in the north-east. Merely allowing 40 per cent merchant sales will not help unless the transmission issues are resolved. "The long-term buyer of the balance 60 per cent will have to be convinced to bear the entire cost of the transmission initially," says a Plan panel official. "Otherwise, how will you fund the laying of the transmission line?" Moreover, for merchant sales there is a need for elastic transmission lines that can accommodate changes in demand. "This is possible only if we have surplus transmission capacity," says Sethi. "At present, there is a shortage."

According to the ministry, India's transmission capacity is 16,500 MW now and is expected to go up to 37,150 MW by 2012. However, another 78,570 MW of generation capacity will be added in the next five years. The mismatch between generation and transmission capacities is significant, with transmission lines expected to carry only 60 per cent of power by 2012.

The 2 per cent free power to the locals has also not found favour with private players. Gaur says, "Will the government fund the transmission lines?" And even if the revenue stream from the 2 per cent power is distributed among locals, there will still be complications. "The tariffs decline over time," says Gaur. "It will be difficult to convince locals to accept lower pay-outs later."

While the intentions are good, the government will have to ensure the new policy does not create more problems. India experienced a power shortage of 45,000 MW in December 2006-07. Traditional fuels such as coal and natural gas are already in short supply. India has not only put on hold all its natural gas-fired power projects, but also plans to import 51 million tones of coal by 2011-12 to meet fuel demand. At the same time, 69 per cent of its hydropower potential is unutilised. It is high time the government addressed the issues with missionary zeal. ■

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THE MOBILE STORE

Designing for survival

VISHAL KRISHNA

AT the Autoline Industries factory on the outskirts of Pune, engineers don't talk about mass production anymore. That's not the only change at this erstwhile grease room. Even more noticeable is a large group of engineers analysing, designing and testing auto components on high-end computer-aided design and engineering component'morphing' tools. These cutting-edge processes, once the exclusive domain of larger ancillary companies such as Bharat Forge and Sundram Fasteners, are Autoline's tickets to moving up the value chain.

"Medium-sized ancillaries have the money to expand into automation and design," says Gopal Patwardhan, chairman of Autoline, a Rs 200-crore vendor of several leading automobile companies. Having bought Detroit Engineered Products, an American design firm, for $15 million (Rs 60 crore), Autoline is now preparing to be a global ancillary.

Auto component sweatshops are transforming into innovative design studios

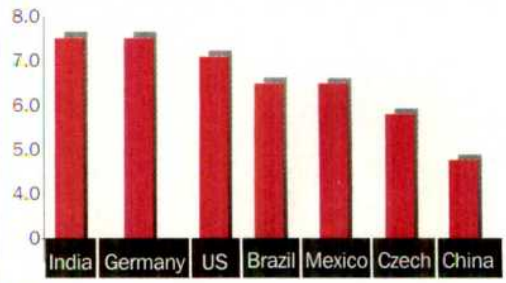
It's an infectious trend. "Four years ago, we realised we needed a strong design team to survive," says R.K. Behera, chairman of RSB Transmissions, a Rs 600-crore auto ancillary firm in Pune. "Now, it's no longer about survival. We advise original equipment manufacturers (OEMs) on why a component has to be designed in a particular way, something we never thought we could do in 2003." To give such advice, the design team has to be capable of going a step beyond the OEM's component specification. Behera's company, for instance, designed a propeller shaft 10 kg lighter than its original weight, which, coming as it did from an Indian ancillary, surprised the OEM.

RSB has invested Rs 12 crore in R&D, and has also acquired Michigan-based Miller Brothers, a precision machining company, for $19 million (Rs 76 crore). This will give RSB a ready-made distribution system, and access to OEMs such as Volvo, Caterpillar and J.C. Bamford.

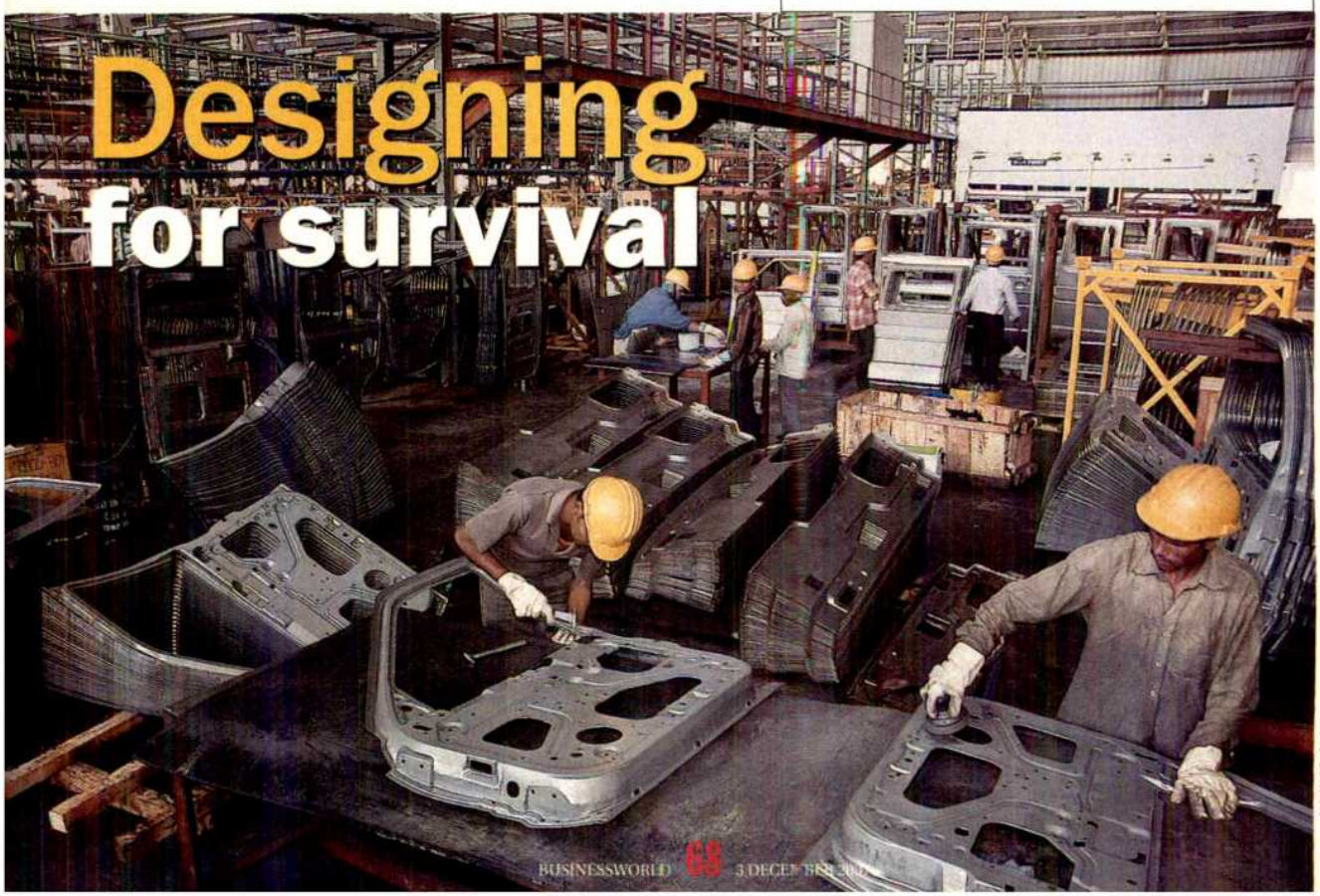
According to an Automotive Component Manufacturers Association (ACMA) report, the Indian auto component industry's production has grown at a compounded annual growth rate (CAGR) of 17.4 per cent during 1999-2006, crossing the $10-billion (Rs

Who's got the top design?

Designing and machining ability



Figures are ratings from a scale of 1 to 10 with 1 being the lowest
Source: Motilal Oswal Securities



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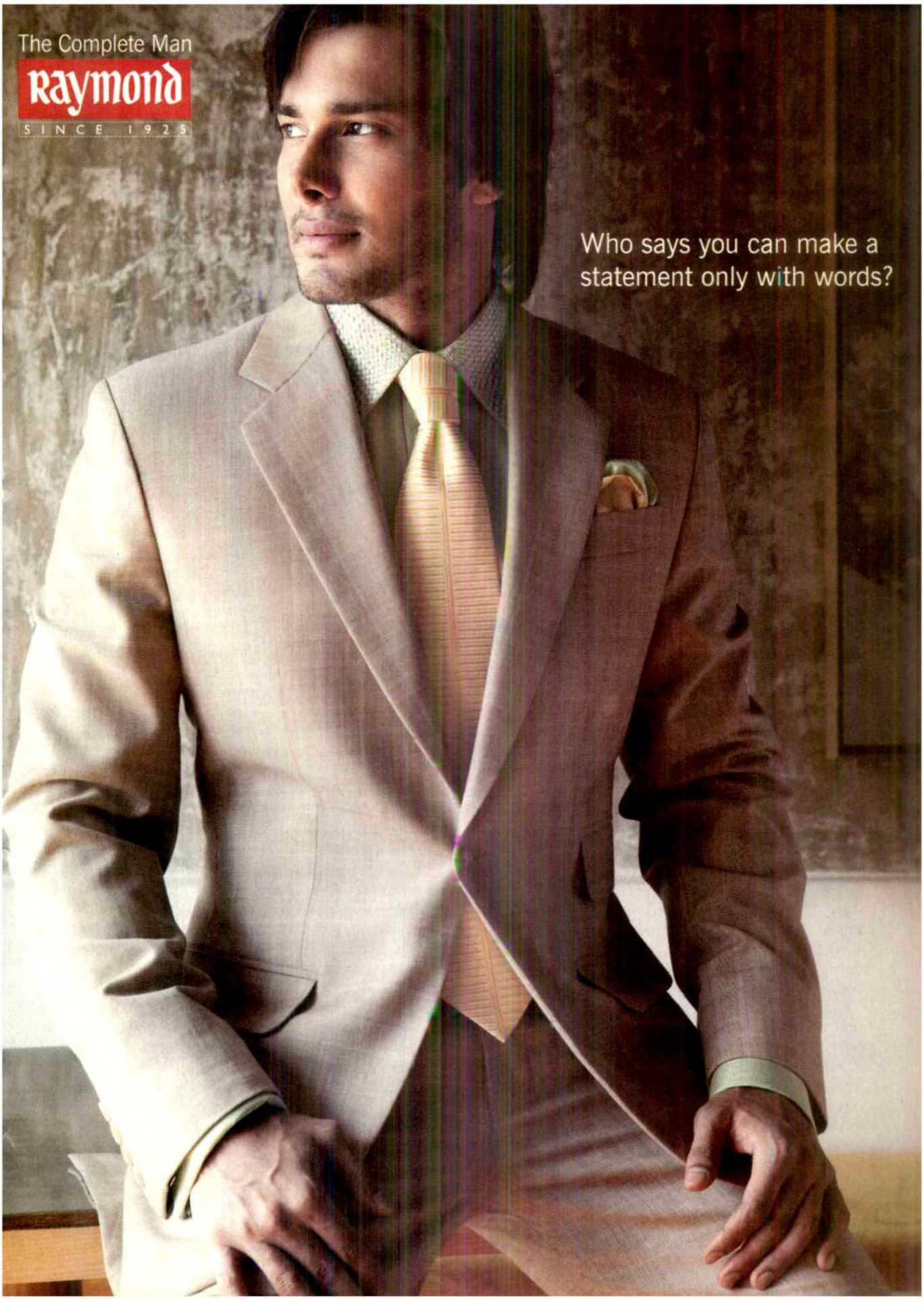
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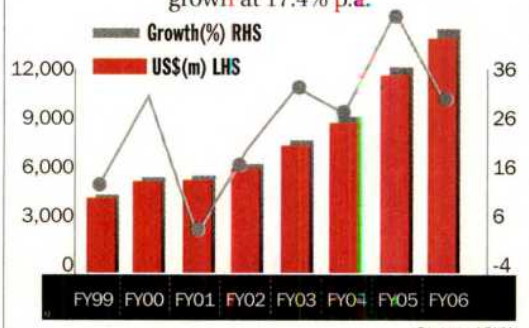
40,000-crore) mark in 2006. ACMA estimates that, despite a higher base, it will continue to grow at the same rate till 2015, quadrupling the industry's size.

Medium-sized ancillaries have also been spending more on R&D over the past three years when compared to large component makers (see chart: 'Rapid Strides'). "The engineering capability in our country is the reason behind such growth figures," says Navin Mata, research analyst at Dolat Capital, a brokerage firm in the Indian derivatives market. "Importantly, foreign majors such as Toyota are noticing the rise in defect rate among their vendors. So they find Indian ancillaries a viable source."

The growth curve

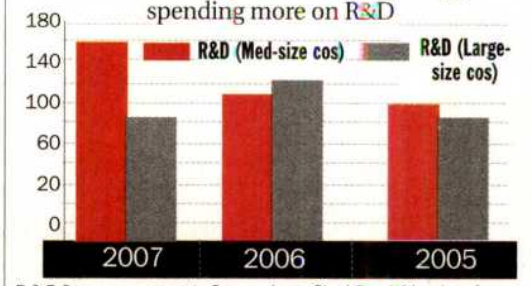
Component production in India has grown at 17.4% p.a.



Source: ACMA

Rapid strides

Mid-sized companies are increasingly spending more on R&D



R & D figures are aggregate figures; Large Sized Cos: With sales of Rs 1000 cr or more; No. of Companies: 7; Medium Sized Cos: Cos with Sales of between Rs 100 crore to Rs 900 crore; No of Companies: 28
Source: Capitaline Plus

Value For Design

Clearly, design teams add a lot of value. For starters, they give the ancillary company freedom from the OEMs. RSB's 'i-Design' team, for instance, is a separate entity working with OEMs on component quality, weight, design and pricing. Secondly, the ancillary's value increases in the form of patents. Moreover, competent design teams give Indian component companies a level playing field alongside foreign ancillaries. Finally, and as a consequence, margins improve.

The pace is picking up on acquisitions. "Medium ancillaries will have to reap the rewards of the booming auto market in 2-3 years, before there is a slowdown," says Ajay Sethia, research analyst with Enam Securities, a stock broking firm. "Very few will make it to the top. OEMs across the world are comfortable with a smaller set of vendors."

And then there's exports. Component exports from India are likely to grow at a CAGR of 34 per cent to touch $5.9 billion by 2010, and $25 billion by 2015. According to a report from Motilal Oswal Securities, a research and advisory-based stock broking house, on a scale of 1-10, India scores 7.5 in designing and machining prowess. It's pitted against the likes of Germany, considered an engineering poineer; other countries such as the US, Brazil, China and Mexico follow closely (see chart: 'Who's Got The Top Design' on page 68).

What About The Little Guys?

But there are many smaller entrepreneurs in the auto components sector who have their backs against the wall. "The smaller guys are losing out on margins," says Dolat's Mata. "Their average margins are 12 per cent of their operating levels." Many of these companies may end up being acquired by larger competitors. Their main problem: finance, to be able to invest in acquiring relevant design capabilities.

With bank capital coming at an interest rate of 13 per cent, access to money for the long term is a problem. A few small entrepreneurs *BW* spoke to said they were looking at private equity (PE), especially with replacement rates of components coming down to four years from the previous five years.

"Smaller firms will find it difficult to invest in design if they have low profitability," says Anil Somalwar, chairman of Involute Technologies, a Rs 70-crore firm, also in Pune. "This is because of overtrading on our part. We need PE firms that will stay longer in order to survive."

Rooting For Research

"The medium-sized auto components segment was heading for consolidation because many entrepreneurs did not want to be left behind in the race to be global vendors," says Autoline's Patwardhan. "But it is necessary to see how investment in R&D will be used. There will be very few of us who will really be the flag-bearers in research."

Design talent is also expensive and scarce. "The problem lies in directing the engineering capability into R&D," says Udayan Banerjee, executive director of Sharda Motors, a Rs 304-crore auto ancillary on the outskirts of Delhi. "Medium-sized ancillaries find it difficult to sway talent away from IT. This is where a firm with turnover of at least Rs 200 crore can match salaries to maintain design teams."

Banerjee says his company was spending on R&D for exhaust systems in cars. "Our margins were being squeezed when we were a plain vanilla auto ancillary," he says. "So, we had to reinvent ourselves. For us, access to capital is critical for survival against competition from foreign firms that are investing in India."

The competition is not just domestic. Since 100 per cent FDI is allowed in auto ancillaries, foreign firms may well drive competition. Eaton Corporation, a US-based $12-billion (Rs 48,000-crore) firm, has already created a 'professional services centre', comprising 500 engineers dedicated entirely to R&D for the creation of green technologies. "The purpose of this team is to file patents out of India," says Sham Kambyenda, MD, Eaton Corp-India. "We will focus on clean technologies for the Indian and global automotive sector."

Design, said revolutionary guru Erik Adigard, "is in everything we make, but it's also between those things. It's a mix of craft, science, storytelling, propaganda and philosophy". For Indian mid-size auto ancillaries, it's also potential profit, and avoidable loss. ■

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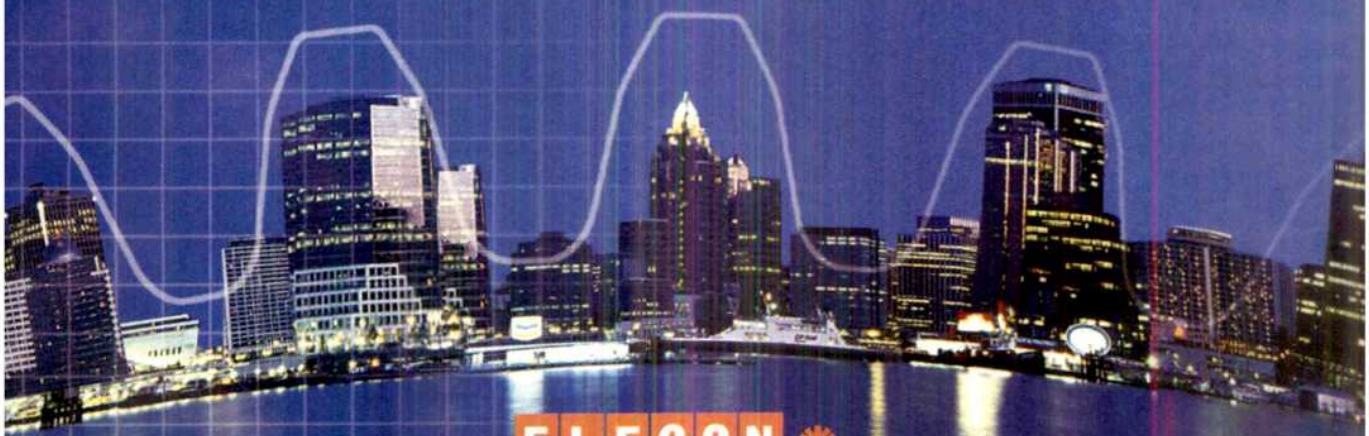

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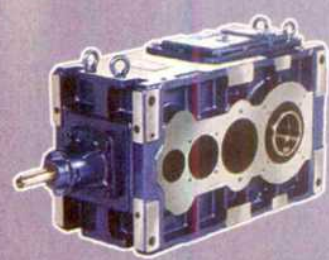

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The numbers must add up in a big way for organised pharma retail to enable better prices and genuine drugs.

By Gina S. Krishnan

TRIBHUWAN SHARMA

STOCKING UP: Organised pharma retail must have at least 100,000 pharmacies to have a significant impact

DESPERATE

A DECADE ago, when Subhiksha, the no-frills discount chain, opened its first store in Chennai, a 100-strong crowd gathered outside on its third day. Founder and poster boy for organised retail, Ramaswami Subramanian, had little cause to rejoice, though. His vociferous visitors were neighbourhood chemists protesting the sale of medicines at 8-10 per cent below the maximum retail price.

"It took us two-and-a-half years to win our freedom to operate [the pharmacy business]," Subramanian was quoted as saying in an interview. It was a 1999 Supreme Court judgement that forced wholesalers to resume supply to Subhiksha, allowing it to sell medicines at a discount, which set a precedent that remains, regrettably, only that.

The Subhiksha experience is a reflection of the power wielded by the All India Organisation of Chemists and Druggists (AIOCD), the Mumbai-headquartered association of pharma wholesalers, stockists, distributors and retailers that decides who can be a part of the pharmaceutical supply chain in India. It issues discretionary no objection certificates (NOCs), creating, in the process, one of the toughest pharma retail markets in the world.

"People who allege that we are hindering free business or are corrupt are just disgruntled elements who have not been able to set up their own business," says J.S. Shinde, secretary of AIOCD. "As the head of the association, I have to ensure that my members' interests are protected in the best possible manner."

India tops the ranking in the Global Retail Development Index compiled by A.T. Kearney, ahead of Russia and China. The estimated $350-billion (Rs 14-lakh crore) market, pegged to nearly double by 2015, is full of internal pushes and pulls. Nowhere is this more obvious than in pharma retail, which has assiduously kept organised competition at bay so far.

More's the pity. As elsewhere, the pharma sector can benefit from organised retail. Economies of scale will result in better prices for consumers. Bulk sourcing directly from manufacturers will also serve to neutralise the spurious drugs market, which is estimated to account for a whopping 25 per cent of all medicines sold in India.

Industry observers note that 95-98 per cent of spurious drugs are introduced in the market by local chemists. Organised retail has the ability to bring in essential quality control. But for any of it to happen, organised pharma retail has to scale up. Currently, there are less than 1,000 organised retail pharmacies in India. That's a tiny fraction of the 500,000 stores that criss-cross the country.

"Organised retail has to have at least 100,000 pharmacies to have any signifi-

REMEDIES

cant impact," says Viraj Gandhi, managing director of Medicine Shoppe India. Gandhi should know. He was among the first to enter the sector in 2000. Seven years and 120 outlets later, he is reconciled to the system.

Wrong Chemistry

India's highly fragmented medical drugs market has close to 20,000 registered pharmaceutical companies with large manufacturing capabilities. "A single company could be manufacturing anything between 10 and 50 products, and larger companies could have anything between 50 and 1,000 products," says Madhukar Gangadi, MD, Mediplus, amongst the fastest growing pharmacy chains at 220 stores, second only to Apollo Pharmacies' 300 stores. And prescriptions are written according to the doctor's preference, so pharmacies have to store a number of brands even if the molecule is the same.

The pharma supply chain in India has multiple layers of suppliers, middlemen and retailers. Apart from distribution, costs are another important element in this price-sensitive market. Pharma companies appoint carrying and forwarding (C&F) agents for every state, sometimes more than one for large states such as Maharashtra and UP. They move products to at least one stockist or wholesaler in smaller cities, who then pass them on to neighbourhood medical shops, many of which are owned by wholesalers.

The government controls the price of 354 products and wants to increase that number. Every drug formula has nearly 10 score brand equivalents. Revenues move only within a given price band, whether it is organised retail or a mom-and-pop establishment doing the final selling. Retail margins are an assured 25 to 32 per cent. But the inefficient four-level supply chain and large number of pharmacies mean that revenue per pharmacy is really low.

Maximum Retail Problems

The AIOCD, which functions more like a union than an association, has state chapters and a 550,000-strong membership. Tracing its history to the pre-Independence era, it is particularly strong in states such as Kerala, West Bengal, Tamil Nadu and Maharashtra.

Zuellig Pharma, a Hong Kong-based pharma distribution company and logistics major in South Asia, started operations in India last year. It does not have a single order from a pharma company or retail firm till date. It does not appear likely that AIOCD will give Zeullig an NOC, though Shinde says, "We are not stopping anyone from doing business. Zuellig can go to a pharma company and deal with it directly."

A large player such as Zuellig can bring in economies of scale. But they have no idea when they will service the first order. "We have to be present in India", says a senior official of Zuellig, who does not wish to be named. "It is an investment in the market. Right now, our expenses are only on meeting with companies and understanding how the market works. We are sure we will get orders. In any case, large players like us will also bring in efficiencies of scale." Even so, Zuellig would do well to leverage its relationships in other countries to secure orders in India rather than look for big breaks here.

Even manufacturers are inhibited about dealing directly with bulk buyers such as Subhiksha, and logistics companies such as Zuellig. The AIOCD is a strong association and most feel that it's

best not to antagonise it. Moreover, drug companies neither have the time nor the inclination to go against existing relationships, which have been built over years, sometimes even decades. In any case, the volumes are not large enough for the pharma company to antagonise local AIOCD players.

Subhiksha has been able to procure supplies only from existing channels, for cash as against the 60-day credit enjoyed by other chemists. Its skirmishes with AIOCD continue. For instance, in March, the Chandigarh Chemists Association cut supplies of all medicines and pharma goods to Subhiksha. Distributors demurred delivery on grounds of depleted stocks.

They protest needlessly. With pharma as a small part of its retail outlets — often just one counter — Subhiksha does not sell the 30,000-odd products that the average pharmacy stocks. Only a list of generic medicines is put up. Customers cannot expect to meet all their prescription needs here.

Rajendra Pratap Gupta, formerly head of retail and supply chain at Reliance Health, which may yet prove to be a major player in the future, initiated the setting up of a parallel 'Association of Professional Chemists and Distributors of India'. While agreeing to the idea in principle, many of its potential members believe that taking on AIOCD will be easier prescribed than achieved. With Gupta's exit from Reliance Health, this alternative stands shelved as of now.

An industry snapshot

Pharmacy	Promoter	Outlets	Business model
Apollo Pharmacies	Apollo Hospitals	300	One of the largest procurers of pharma products. Pharmacy and wellness
MedPlus	MedPlus	220	Pure pharmacy
Medicine Shoppe	Medicine Shoppe Int	125	Pure pharmacy
Guardian		82	Pure pharmacy with wellness
CRS	SAK Group	28	Wellness, beauty, health and pharmacy
Fortis Healthworld	Ranbaxy	16	Wellness, beauty, health and pharmacy
98.4	Global Healthline	14	Wellness, beauty, health and pharmacy
Dial for Health	Zydus Cadila		Pure pharmacy
Max	Max India		Pharmacy
Lifespring	Morepen	2	Health and beauty
Subhiksha	Subhiksha	—	Low-cost pharmacies as part of Subhiksha Retail
Manipal Cure and Care	Manipal group	10 by 2008	Doctor-driven wellness centres with pharmacies

Source: Company information and *BW* research

Growing, Growing...

Organised pharma retail has grown in three waves. In 1999-2000, chains such as Lifesprings, Subhiksha, Medicine Shoppe, and Health and Glow stirred the market. Some have grown, others closed, yet others stagnated. Dial for Health, CRS, 98.4, Guardian Life and Medplus led the second wave. This year, three large groups have heralded fresh hope: the Ranbaxy-promoted Fortis Healthworld, Manipal Cure and Care and, most recently, Reliance Wellness. None are members of AIOCD but accept whatever discount wholesalers and distributors give them for the volumes they lift.

"AIOCD, too, is preparing itself for the competition ahead," says Shinde. Shinde appears to accept organised pharma retail as inevitable. "As far as wholesalers and retailers are concerned, I expect at least 30-40 per cent will join other large retailers. It has already happened and it will continue to happen. AIOCD is corporatising and it has already started the process. In Maharashtra, Tamil Nadu, Gujarat and many other states, we are making a structure so that the chemists and druggists can operate as branded retailers under the parent organisation [AIOCD]," he says. Already, it is believed that AIOCD has collected Rs 60 crore for such branding in Maharashtra.

"In times to come, there will be Wal-Mart and Walgreens coming to India," says Shinde. That's the opportunity Zuellig is waiting for. In the US, almost 80 per cent of the market is controlled by three wholesalers, McKesson, Cardinal Health and AmerisourceBergen. They operate with warehouses in strategic locations and sell to hospitals and retail pharmacies.

The Apollo Group, which buys through its central procurement company Keimed and has 300 pharmacies besides 22 hospitals, currently, gets the highest discounts. Reliance Retail and Wal-Mart will also cut out intermediaries. An Ernst & Young study provides evidence of efficiencies derived by operating with big wholesalers.

"It is the consumer who will drive inefficient retailers out of business, not the competition," avers Medicine Shoppe's Gandhi. "The market is far too large, and the better the competition the more consumer gains." Organised retailers are also preferred by health insurance companies. The entry of multinational pharma companies, who are accustomed to dealing with retailers on a national rather than state level, will also drive change.

The industry, which is very fragmented now, will inevitably consolidate. When this happens, bigger distributors will come in, or some local ones will grow. They will not follow the ongoing policy of exclusivity that AIOCD adheres to. "The benefits of efficiencies will come with volumes," says the senior Zuellig official. "India, too, will change. It has to." The time has come for organised pharma retail. Unfortunately, the wait looks far from over. ■

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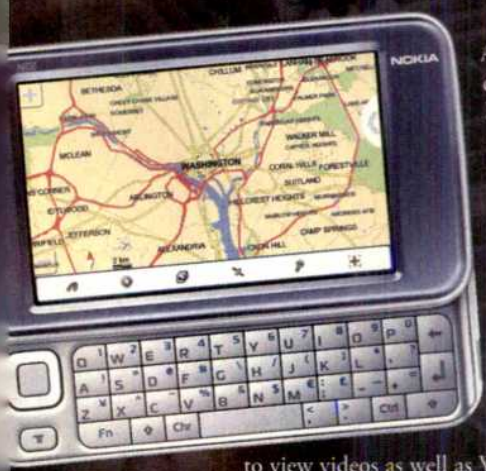

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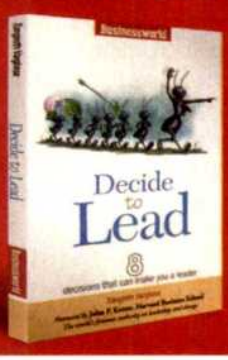

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In a class of their own

TUNING INTO LIFE: Workers of KPR Mill find fresh melody with the company's contributions

C.P. SHANMUGHAM

Workers turn into part-time students as companies tap into the 'goodwill' factor

M. ALLIRAJAN

IT'S just past five in the evening and groups of girls dressed in blue-striped shirts, with books in hand, walk briskly into a new building block. They could easily be mistaken for young students heading to class, as indeed they are. But this is no college campus. It is the sprawling premises of the Rs 512-crore KPR Mill textile factory in Arasur, near Coimbatore.

As dusk falls, the hum of machines gives way to the lilt of young voices learning music. Nearby, girls attend classes on subjects ranging from economics to computers and office administration. Started in 2000 with 50 girls, KPR's education programme now attracts more than 2,300 of its 6,500 employees.

"We are encouraging workers to go in for higher studies," says P. Nataraj, Managing Director of KPR Mill. "Since there is no overtime in the garment unit, they have adequate time to study."

It was a long wait for Aadhi Lakshmi, but her dream did come true. Pushed into earning a living to help her struggling family, Lakshmi, like most girls from her village near Aruppukkottai in southern Tamil Nadu, found a job at KPR Mill. The company's higher education programme is chairman K.P. Ramasamy's response to the plea of a school topper who sought help in continuing studies. It enabled Lakshmi to graduate and then enrol in the MBA programme she is now pursuing.

The Future Is Right

Classes usually begin at 5 p.m. and go on up to 9 p.m. Employees who work the evening and night shift at the spinning unit, attend classes in the morning. Ten full-time residential faculty have been hired to help workers, among whom many are school dropouts.

Students at KPR are required to have studied at least up to Class 8. Though enrolment is purely voluntary, interest among workers has risen steadily. KPR sponsors 50 per cent of costs, while the employees pitch in with the rest, which is deductible from their monthly pay.

"If everything comes free, there would be no seriousness," explains P. Ranganathan, general manager (technical) at KPR, also in-charge of the Arasur unit. "That's why we are only part funding the programme."

The company has tied up with Annamalai and Alagappa Universities to offer graduate, postgraduate, teacher training, computer education, and even nursing courses on its premises. Workers also have the option of completing their high school here.

"With multi-specialty skills, these girls are able to acquire the capability to continue working even after they leave the mill," Ranganathan says. A few alumni have charted different career paths, some even launching small ventures such as yoga centres and tutorials in small towns.

Others prefer to grow within the company. Murugeshwari, who had studied up to Class 12, started off on the mill's shop floor. She now oversees the work of 35 employees as a supervisor in the quality assurance department. "Earlier, we were merely following orders," she says. "Now we are able to identify issues and come up with ideas and solutions." Like Lakshmi, she too is doing an MBA in human resource management.

The personnel officer at the mill is responsible for the workers' progress at campus, and attendance. "To check absenteeism we even insist on proper leave letters," says P.T. Sudha, who teaches workers of the garment unit. Report cards are issued for monthly exams. Competition among different units is intense. KPR rewards teams that consistently produce better results.

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Fashioning a dream

FOR the 2,000-odd employees of Intimate Fashions at Guduvanchery near Chennai, there's something to look forward to after work. Intimate, a maker of inner garments and part of Sri Lanka's $750-million (Rs 3,000-crore) MAS Holdings, offers wellness, beauty, health and hygiene courses, and even martial arts training for its workers. Besides a career guidance cell and assistance for higher education, tuitions and need-based programmes are provided. The company recently hired instructors from an English language training institute to coach 40 supervisors on communication skills. "These measures go a long way in creating goodwill," says Jaljith Narayanan, head of HR at Intimate. "There are several benefits — people work longer and there is no labour strife." Since Intimate does not hire workers under 'Sumangali' or similar contract labour schemes, the benefits are much greater. The annual attrition, at 2 per cent, is among the lowest in the industry. The company provides interest free loans under the 'Gurukul' scheme to workers pursuing graduation. The loan is waived if a worker scores above 70 per cent, and if the score is above 50 per cent, half the loan is reimbursed. Last year, 50 women enrolled in the scheme, which has swelled to more than 100 now. The benefit: operators on the shop floor can move to supervisory levels on completing higher education. "All this has given the women a lot of self-confidence," says R.R. Krishnaveni, an HR executive with Intimate, which is now planning to develop a module on industrial engineering in association with Anna University. ■

Education @ Work

The company spends close to Rs 25 lakh per year in its education programme. The consequent benefits from low attrition and efficient employee referrals are very attractive. While most units were struggling to hire workers during the post-quota boom of the past two years, KPR found the going relatively smooth. Work remained unaffected even during long vacation weekends.

Women workers in textile firms in this region are mostly employed under what is called the 'Sumangali scheme'. They leave their jobs after getting a lump sum payment, usually a sum of Rs 30,000 -36,000 that is spent on marriage. This periodical exodus leaves companies with the unenviable task of hiring workers on a large scale fairly often.

But unlike other firms, KPR doesn't go looking for workers. The company's employees turn 'ambassadors'— each of them brings in two to 10 workers. Agents, who charge a commission of Rs 1,000 per recruit, are thus eliminated. Being required to hire 2,000 workers a year, employee referral has turned out to be a huge cost saver for KPR.

"Till today we do not face any labour shortage," says Ranganathan. "Thanks to the scheme, more than 80 per cent of our recruitment happens through referrals." KPR's employee costs are 3.3 per cent of sales, against the industry average of 8.3 per cent.

More cost-saving happens when the company avoids external recruitment and promotes graduate workers to supervisory positions.

Fast forward

FOR Sundram Fasteners, the Rs 1,577-crore Chennai-based auto components maker, managing employee turnover has become a challenge. In many manufacturing firms, attrition has risen to 15-20 per cent, up from 5-8 per cent. Sundram is no exception.

"We need to facilitate employee growth through non-monetary benefits and without increasing costs too much," says S. Mohan, vice-president of HR at Sundram Fasteners. On the anvil are degree and certificate programmes, e-learning courses, employee satisfaction surveys, a mentoring module for fresh recruits, and a 'happy quotient' for workers. Also in the offing are engineering courses for diploma holders and MBAs for engineers.

With annual pay hikes of 12-15 per cent becoming the norm, the company hopes to attract entry level talent by offering training and internship projects.

Sundram also wants to provide wealth creation opportunities for employees. With MNCs, original equipment makers and bigger brands luring away talent, manufacturing firms have to change their approach. ■

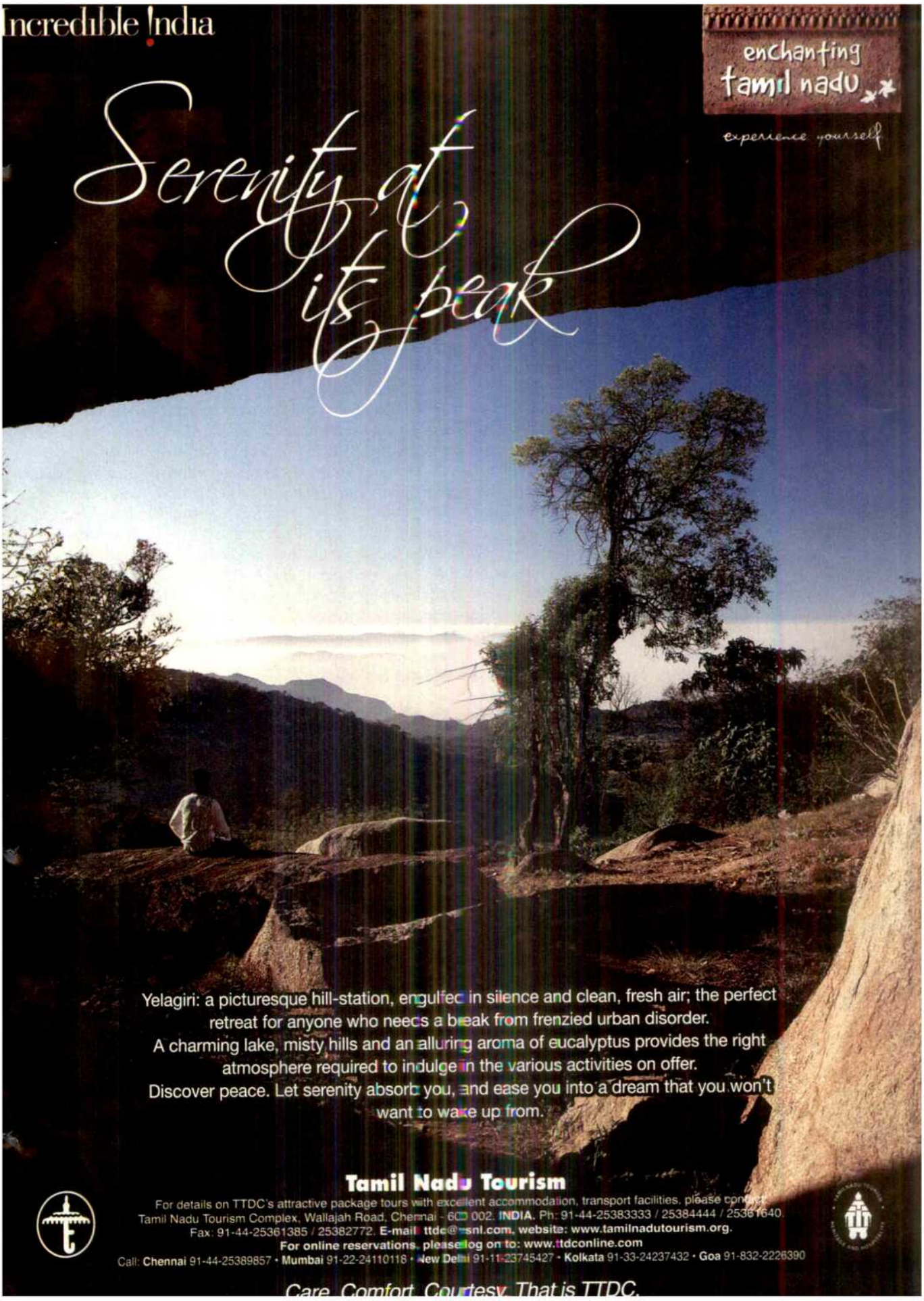
A Degree Of Difference

However, "It [the initiative] is conducted just to show that they care for their employees," says an official with an NGO in Tirupur. "Very few of them actually move up the ladder."

"Unlike new economy companies, frills are low in manufacturing firms," says E. Balaji, chief operating officer, Ma Foi Management Consultants, an HR services firm. "Cross-functional training and education are some of the popular methods usedto attract people."

In most places, garment makers are migrant workers who tend to head home en masse during the festival season. But when the entire Tirupur workforce headed south this Diwali, KPR's employees were celebrating the festival of lights at the unit. The company organised a lively carnival with highlights such as a music programme, and shopping vouchers with in-factory purchase points. Though they were free to go home, most employees stayed, allowing KPR Mill full capacity utilisation in the days after Diwali. That is significant given that KPR produces more than 100,000 kg of yarn, 15 tonnes of fabric and 40,000 pieces of garments every day.

Employees are excited about the new mini-theatre on the premises. They can watch two movies of their choice, every week (the selection committee comprises workers' representatives and officials). A physical education trainer is also on hand to guide games in the evening. "Satisfied people do things better," says Nataraj. Naturally, they also earn their companies higher profits. ■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John M. Berry is a columnist for Bloomberg News

Surviving in the long run

ALL those who have complained for years that the Federal Reserve can't be trusted because it hasn't set an explicit inflation target are going to have to shut up. All the traders who are insisting that the Federal Open Market Committee has to cut its 4.5 per cent overnight lending rate again next month to ward off a recession can keep up their clamour. The FOMC recently released projections of the economic outlook from its 17 participants covering 2007 and the next three years. It was the first time such details were made public.

Not surprisingly, given the recent problems in financial markets, Fed officials lowered their expectations for economic growth in 2008. Back in June, growth of 2.5-3 per cent was anticipated. Now, the range is both lower and wider: from about 1.5 per cent to more than 2.5 per cent. Some investors and analysts immediately took that lower projection as evidence the Fed needs to cut rates more. But the minutes of the FOMC's 30-31 October meeting indicated clearly that the 31 October rate cut, and the half-point cut that preceded it in September, were intended to address faltering growth.

Moreover, the minutes said that many members regarded even the decision to reduce the target by 25 basis points as 'a close call'. And, of course, Thomas M. Hoenig, president of the Kansas City Fed, dissented in favour of no cut.

Hoenig "judged that policy needed to be slightly firm to hold inflation in check", the minutes said. The market reaction to the Fed's message shows that no matter how clear officials may be in their statements and projections, some analysts and investors either aren't going to hear or aren't going to accept what they hear.

In other words, even good communications aren't always going to accomplish what the Fed intends. On the other hand, what they did should settle the inflation targeting issue in this country once and for all. The projection details showed what inflation and unemployment rates the five members of the Fed Board — there are two vacancies — and the 12 Federal Reserve bank presidents believe would meet the central bank's dual mandate of stable prices and maximum employment. The numbers aren't set as targets. Rather, they are the projections for 2010, a period far enough into the future for monetary policy to achieve the desired goals. There was no information about what any official regarded as appropriate policy.

For inflation, the projected rates ranged from 1.6 per cent to 1.9 per cent, as measured by the personal consumption expenditure price index. And for that year the figures for core inflation, which excludes food and energy items, are the same. For the unemployment rate, the 2010 projections run from 4.6 per cent to 5.1 per cent. That is the range projected for the jobless rate in 2008 and 2009 as well. The rate last month was 4.7 per cent.

The view of the Fed on another key number — how fast the economy can grow when it's close to full employment without causing inflation to accelerate — is also embodied in the long-run projections. Economists refer to this figure as potential or trend GDP growth, and officials revised down their estimate of it after last summer's benchmark revisions to the GDP accounts by the Bureau of Economic Analysis.

Taking the projections as a whole, it's plain that Fed officials expect the economy to recover slowly but solidly from all the recent turmoil.

Core PCE inflation is projected be less than 2 per cent in 2008, while overall inflation isn't expected to be much higher than that, if at all.

Many on Wall Street aren't as sanguine about either growth or inflation, and many would like to see at least several more rate cuts.

On 20 November Fed funds futures contracts indicated that investors put a 90 per cent probability on another 25 basis point cut in the lending rate target at the 11 December FOMC meeting, and a 70 per cent probability of another one on 30 January. ■

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It's clear from the US Fed's recent projections that the economy is expected to recover solidly from all the recent turmoil

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Direct to MARI

The tangle of intense competition and government regulation will not keep the DTH industry from its expected growth

PIERRE MARIO FITTER AND K. YATISH RAJAWAT

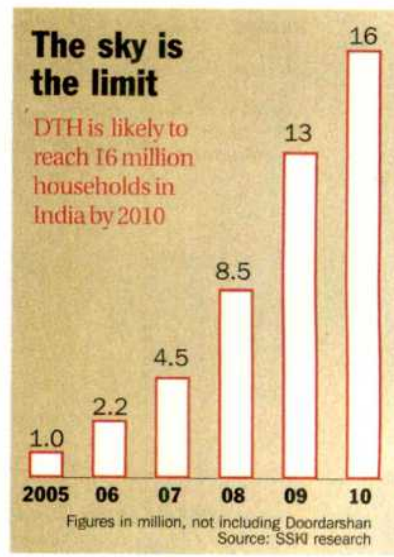
OM Shanti Om is not the only reason we're seeing more of Shah Rukh Khan this season. In his latest avatar as a brand ambassador for Dish TV, the Direct-To-Home (DTH) service provider, the *badshah* of Bollywood is seen exhorting TV audiences to stop being *santusht* (satisfied) with poor quality TV services. DishTV's chief rival, Tata Sky, has its own marketing blitzkrieg. For every TV you buy, you get a discount on the DTH set-top box and dish antenna, equivalent to the size of your new TV screen.

Why are the two warring? It's simple — they are about to face plenty of competition. Within a few months, at least four more players will launch brand new DTH services. Until recently, state broadcaster Doordarshan was the only other player in the DTH market. New entrants such as Bharti Airtel, Reliance Communications (RCOM), Sun TV and Videocon are expected to spark off price and content battles, and new marketing and distribution strategies. The grand prize is a market worth $5 billion (Rs 20,000 crore), and an estimated 40 million DTH subscribers by 2017.

DTH is seen as the successor to the virtually redundant conditional access system or CAS, which itself was introduced to combat local cable operators who under-reported subscriber numbers, sometimes by as much as 80 per cent. Under-reporting meant lower revenues for TV channels. DTH also promises superior picture and sound quality, and additional features such as games and simultaneous highlights for sporting events.

The New Picture

RCOM officials say that their DTH service, Big TV, will be launched towards the end of FY 2007-08. Industry sources put the date as early as December 2007. The same sources add that Sun TV's new service, Sun Direct, should be in the market in February 2008. "We will launch our own DTH service towards March or



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April 2008 through a subsidiary, Bharti Telemedia," says N. Arjun, executive director of DTH services at Bharti Airtel.

According to a Department of Telecommunications (DoT) official, Big TV has already received its licence to air DTH services. Sun Direct has received an in-principle acknowledgement for the same, while Videocon has received a letter of intent.

Sun has already made its radical offer known to consumers. It will give away a free set-top box and satellite dish to every subscriber, although it will charge Rs 1,000 for installation that works as a hardware subsidy. Sun offers a package of its own as well as other free-to-air channels for Rs 75. Additional pay channels from rival broadcasters will be available later, for higher subscription fees.

The other companies' DTH packages are expected to cost anywhere between Rs 200 and Rs 350, although they will offer a full bouquet of Indian as well as international pay channels. For the moment, the 'Sun TV and free-to-air only' strategy appears to be getting attention; Sun intends to focus its package in the south, where it is a dominant broadcaster.

Big TV promises even better. "Our pricing will be one that the industry has not yet seen," says an RCOM official. "We are known for pricing that grows the market exponentially, so something similar can be expected here."

It's Showtime

Sun's bundled offer is only a preview of the changes round the corner. DTH operators will now work overtime to differentiate their products through new services, with electronic programme guides and niche content to attract audiences.

Already, Tata Sky (1.2 million subscribers) and DishTV (more than 2 million), have fought each other in court over content. The two are linked to rival broadcasters Star TV and Zee TV, respectively. The Tata-Star alliance gives Tata Sky access to international products, content and interactive features that are exclusive to the Rupert Murdoch-owned Sky DTH operation. DishTV inherited the popular Zee bouquet of channels from its parent company, Zee Entertainment. Sun TV, also a broadcaster, will share DishTV's strengths and weaknesses.

RCOM's Big TV, on the other hand, will enjoy several exclusive content and service tie-ups. Part of the Anil Dhirubhai Ambani Group, it is therefore a sibling of film and TV production house Adlabs, which has been on an acquisition spree this year. Adlabs now owns Anirights Infomedia and Miditech, the creators of the Indian Idol and MTV Roadies show, plus Siddharth Basu's Synergy Communications, which produces *Kaun Banega Crorepati*. Big TV is therefore expected to offer popular content exclusively.

The channels that will distribute DTH packages are also likely to change. DishTV and Tata Sky had to build their distribution networks from scratch but some of the newer players will not face that problem. Bharti and RCOM already have their nation-wide network for mobile telephony while Videocon can rely on its consumer durables network.

Switching Channels

DishTV and Tata Sky will have to continue watching out as far as their distributors are concerned. For instance, when a well-known telecom industry blog posted news of Reliance's Big TV plans, several Tata Sky and DishTV providers filed requests to become Big TV distributors instead.

Still, whatever the new entrants gain from lower investments in distribution, they will have to spend in higher marketing and advertising costs. The overall cost of acquiring new subscribers will rise anyway given that DishTV and Tata Sky have already established themselves as DTH brands.

Worryingly, subscriber acquisition costs are already high in the industry. They comprise subsidies for subscriber fees and set-top boxes, as well as the cost of marketing and advertising.

Breaking even, shortly

Estimated profit and loss statement for the DTH industry over the period 2007-2016.
Fiscal year ending 31 March

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net revenues	263.1	919.1	2,221.0	4,316.0	6,746.9	9,314.0	11,976.2	14,714.0	17,383.6	20,044.9
EBITDA	(314.8)	(361.3)	(288.4)	269.4	1,038.6	1,809.1	2,796.1	3,730.5	4,595.1	5,515.8
Pre-tax profits	(349.0)	(472.6)	(533.9)	(132.6)	509.8	1,205.8	2,187.1	3,159.8	4,0762	5,0587
Taxation	-	-	-	-	(572)	(135.3)	(723.4)	(1,051.5)	(1,360.5)	(1,691.5)
Net income	(349.0)	(472.6)	(533.9)	(132.6)	452.6	1,070.5	1,463.7	2,108.3	2,715.8	3,367.2

Figures in Rs crore; Figures in brackets represent losses

Source: Kotak Institutional Equities Estimates

"Subscriber acquisition is the single largest cost element for any operator," says Tata Sky's CEO and Managing Director, Vikram Kaushik.

Jawahar Goel, head of DishTV, sees a silver lining in all the new competition. "The overall marketing spend for the industry will rise," he says. "This will attract new consumers."

Customer service will also see dramatic improvement. All the existing players have taken flak for complaints ranging from poor customer response time to bad picture or sound quality. And although Tata Sky fared well in the April 2007 ACNielsen customer satisfaction survey, it must be remembered that the market then had only one other private sector competitor. "We have had to put an extraordinary focus on customer satisfaction, but this is ultimately a good thing," says Kaushik.

The quiet state broadcaster Doordarshan (DD), which began in 2004, has more than 3 million subscribers, making it the country's largest DTH operator as of now. DD's service is free of charge although subscribers pay around Rs 3,000 for a set-top box and satellite dish. In February this year, the government announced a Rs 75-crore aid package for DD's DTH service, following the splash made by Dish TV and Tata Sky. It is estimated that DD is spending around Rs 30 crore annually to broadcast its 30-odd free-to-air channels.

Watch And Learn

The new players will have to bring in better services, infrastructure and technology to gain on the incumbents. All of them are expected to offer the MPEG4 standard, which ensures better compression of video and audio signals with little or no increase in bandwidth requirements when compared to the older MPEG2 platform that limited bandwidth to around 15 channels per satellite transponder, or about 150 channels per DTH operator. The upgraded platform can provide as many as 400 channels using the same number of transponders, giving operators a reason to contend over content.

DishTV can eventually hope to leverage group company Agrani's satellite to secure bandwidth. "We will move to MPEG4 with the new satellite," says Goel, "That will take our transponder capacity far beyond the competition." Previous attempts to launch this satellite have met with regulatory hurdles. The company hopes it will be in orbit sometime next summer.

The Long And Medium Of It

By far the biggest challenge facing DTH players will be short- and medium-term profits. The industry complains that it already pays higher taxes than other sectors. The heavy taxes, according to Tata Sky's Kaushik are 'almost punitive'. There is an annual licence fees (10 per cent of gross annual revenue), a service tax (12.5 per cent) and entertainment tax (between 15 to 20 per cent, varying according to states). Dish TV and Tata Sky are already hurting from losses. Dish TV reported a net loss of Rs 90 crore in the previous fiscal. Tata Sky's numbers are not available.

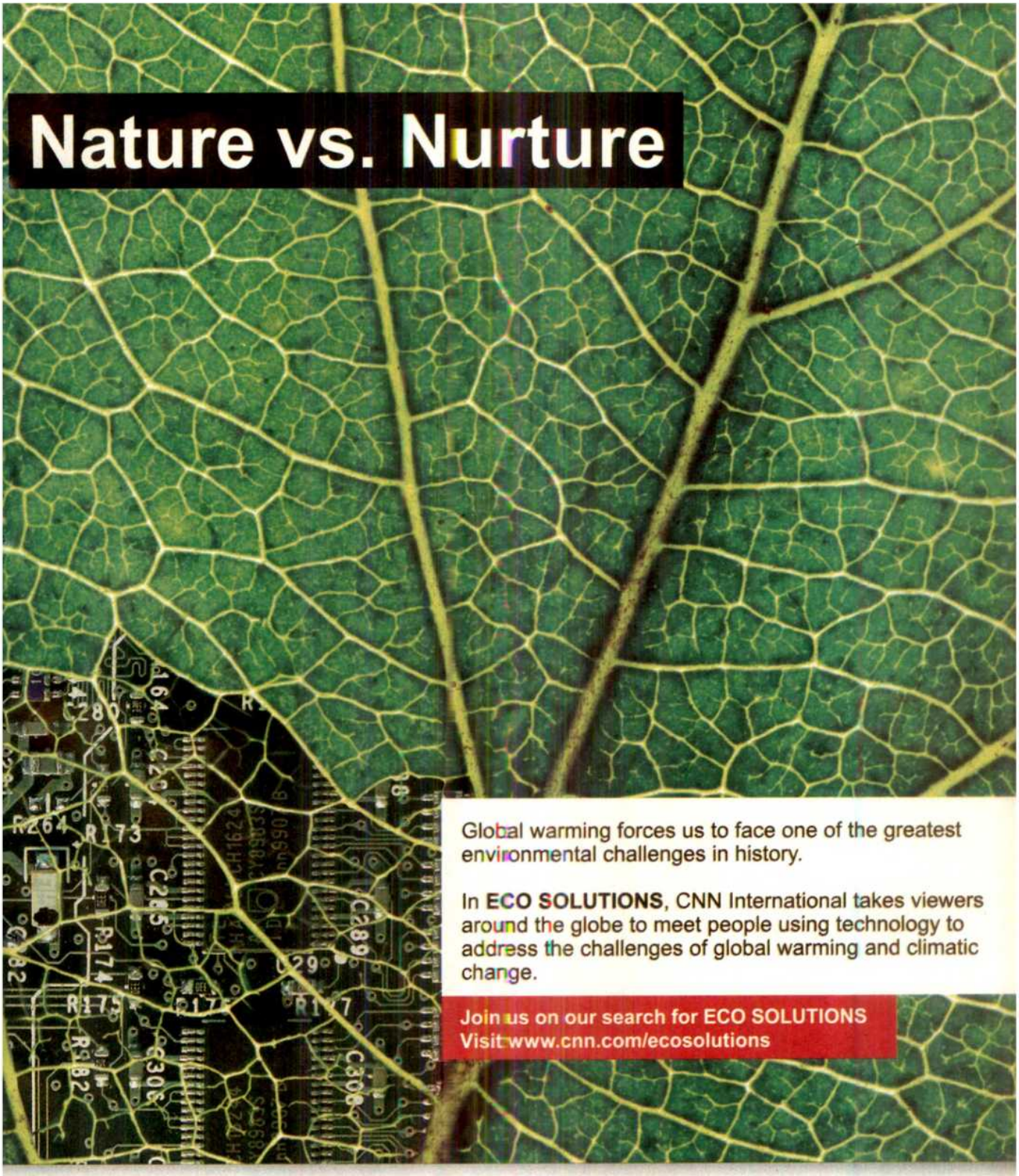
In the UK, for example, a flat value-added tax of around 17.5 per cent is applicable on similar products. In addition to the taxes, there is also a royalty charge for the lease of each satellite transponder — around $1 million (Rs 4 crore) per transponder for a full 10-year licence period. Tata Sky pays $12 million (Rs 48 crore) for that. Other players such as DishTV pay around $6 million (Rs 24 crore). The MPEG4 platform will save costs for newer entrants as they will need fewer transponders to put out the same number of channels.

The payback period for DTH players also appears longer, in most part because of heavy subscription subsidies. Institutional broker Kotak Institutional Equities argues that the industry's average revenues per user (ARPU) are deceptively low because 'a large portion of DishTV's subscribers were on its one-year free subscription plan, while new subscribers of [both] DishTV and Tata Sky got free subscription for a few months'. Kotak expects ARPUs to increase after the free subscription periods end.

SSKI India Research says that 'the ability of (DTH players) to invest heavily and bleed for longer' will be critical to their survival, and to the expansion of the market. According to their estimates, the industry as a whole will breakeven around 2011 (see table Breaking Even, Shortly). Presently, government regulations prevent the use of exclusive channel content, unless it is also available to other operators. "It is like telling a newspaper that it cannot run a scoop unless the other papers also print the story," says Kaushik.

But that's not what the industry is focusing on. Hong Kong-based Media Partners Asia, a media and telecom industry analysis firm, believes that DTH will grow from its current 2.4 million subscribers to over 37 million by 2015 — a nearly 700 per cent growth.

Keep that remote handy. The consumer may well find a lot to be *santusht* about. Enjoy. ■



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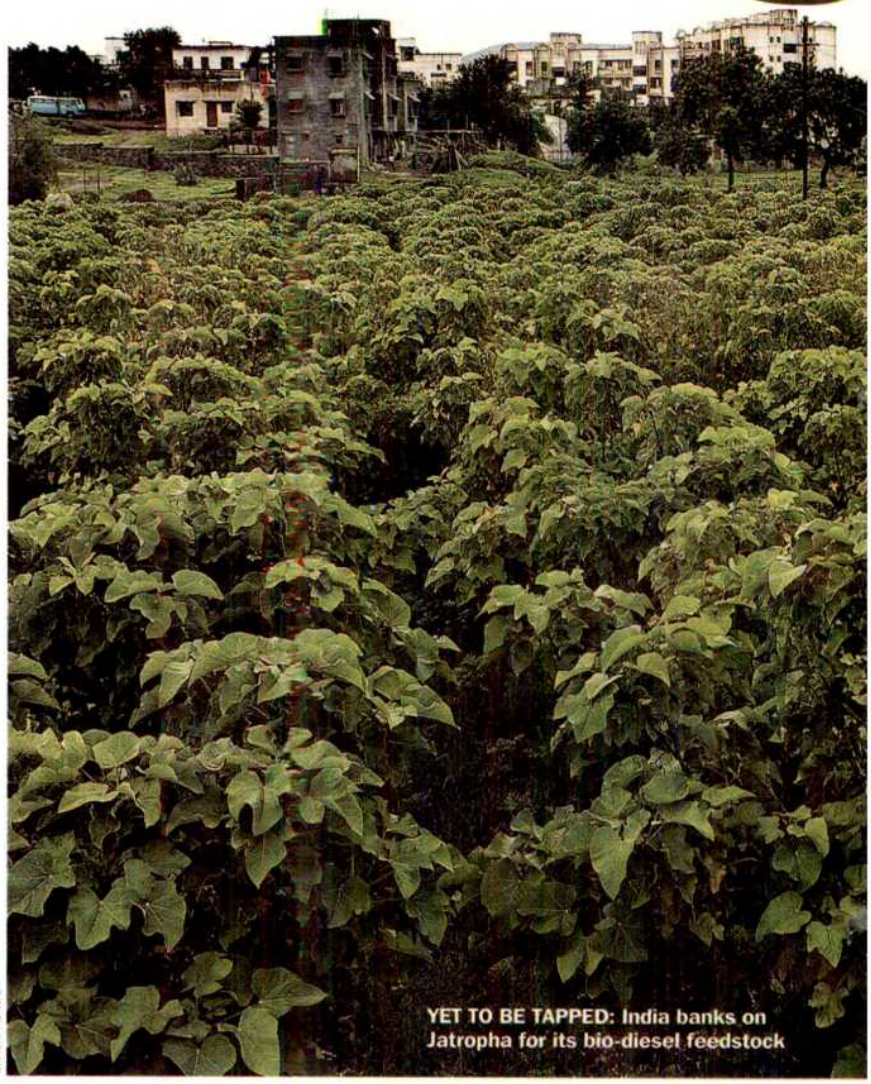
Fuelling

Governments, venture capitalists and even oil majors are looking at clean fuels as ecologically safe and monetarily exciting.

By Arundhuti Dasgupta



SANJIT KUNDU

YET TO BE TAPPED: India banks on Jatropha for its bio-diesel feedstock

SANDEEP Singhal, CEO of Mumbai-based Nexus India Capital Advisors, a private equity fund, has spent the past few months studying cropping patterns and farmer expectations in rural Maharashtra and Andhra Pradesh. He is far from the world of urbane deal-making that venture capitalists are accustomed to. Nexus India is tracking down companies that can harvest fuels from a farm or perhaps distil them in a laboratory instead of drilling oceans or burning forests.

"At Nexus, we are focusing on developing technology, and on companies that are producing feedstock for it," says Singhal. His firm has invested close to $12 million (Rs 48 crore) in Hyderabad-based Nandan Biometrix, a bio-fuel start-up, and intends to fund more ventures in the coming months. According to the *Venture Power Newsletter*, $141 million (Rs 564 crore) has been invested in five clean fuel companies this year.

Bio-fuels are not new to India. Their potential is well-documented; a researcher with the Indira Gandhi Institute of Economic Research in Mumbai jokes that he had to give up his Ph.D on alternative fuels because there was nothing more to be done.What has changed, however, is the investment climate. Indian manufacturers, according to a study by Frost & Sullivan, have a cost advantage of close to $233 (Rs 9,320) a tonne at current feedstock price estimates. This is fuelling investment and research within India for lasting sources of cheap bio-fuels.

The Colour Of Money

In his office in Ballard Estate, Mumbai's oldest business district, Ashok Sinha, chairman and managing director of Bharat Petroleum, points to a sheaf of correspondence between his company and government ministries. The perils and potential of bio-fuels is engaging bureaucrats and politicians alike.

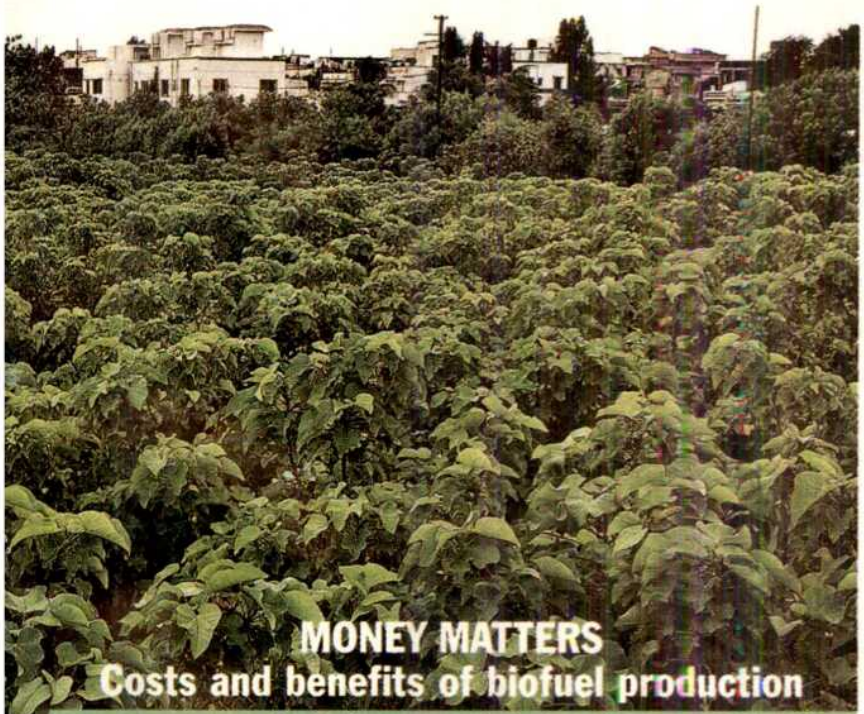
"Fundamentally, we can't assume that fossil fuels can be replaced, only focus on reducing our dependence on them," says Sinha. "To that end, we are working with universal alternatives."

Currently, the government has mandated that all petrol must have a 5 per cent ethanol blend. Given the size and scale of India's fuel needs, it's impossible for a single product to meet the entire demand, whether it's for blending, or for use as an alternative fuel.

"We can't say that there is only one way to get biodiesel," says Kshitij Patukule, founder of Pune-based Jayex Biofuels.

Patukule says his company has invested close to Rs 2 crore in developing a processing technology that can extract biodiesel from acid oil. "There is a lot of interest being shown by private equity firms but we have decided to hold out for a while," he adds.

change



MONEY MATTERS
Costs and benefits of biofuel production

Fuel	Cost Indicators: Cost of production per litre $[1]	Indicators of Environmental Benefits: Life cycle analysis of GHG emissions[2] (in per cent)	Indicators of Environmental Benefits: Net renewable energy creation relative to petroleum based fuels[3]
ETHANOL			
First generation			
Sugarcane-based, Brazilian	0.23-0.29	-91	1.7
Corn-based, US	0.40	-18	1.22
Wheat-based, European	0.59	-47	1.1
Sugar beet -based, European	0.76	-35	1.7
Second generation			
Ethanol from cellulosic waste	0.71	-88	8.2
Gasoline in energy-value terms (US market)	0.34	0	1.0
BIODIESEL			
First generation			
Palm oil, Malaysia	0.54	-70 to -1106	5.1
Soybean oil-based, US	0.66	-70	3.8
Rapeseed oil-based, Europe	0.87	-21 to -38	3.8
Second generation			
Jatropha-based, India	0.40-0.65	-100 to -120	7.3[4]
Diesel in energy value terms (US market)	0.41	0	1.0

1:Avg prices between 2006 Q1 and 2007 Q2 used 2:Change in greenhouse gases (GHG) emmissions per km by replacing fossil fuels with biofuels 3:New energy created relative to the energy input in the bio-fuel 4:Estimates
Note:The estimates assume best practices in land management and doesn't account for potential emissions caused by rain forest deforrestation

Source: World Economic Outlook 2007, IMF

Sinha sees the entry of VCs as a sign of the market maturing. "You need them to take risks that a small entrepreneur can't, and it is justified given that there can be disproportionate gains."

Rising oil prices also drive the search for sources of economical and environmentally acceptable fuel. Sudipta Das, partner at Ernst & Young, says that he has three clients setting up jatropha-based (an oilseed) biodiesel units. "We have helped them gain carbon credit based financing options for their plants," he says. According to industry estimates, one metric tonne (mt) of bio-diesel gives a company three carbon credits. Most bio-fuel plants are being set up for 300-500 mt output per day.

Venture capitalists are also encouraged by the continuing consumer and corporate shift towards eco-friendly, energy-efficient alternatives. At under $5 million (Rs 20 crore), the average investment needed, clean fuel projects suit the venture capital agenda.

The new ventures in clean fuels are experimenting with different feedstocks, and converting waste oils and fatty acids into biodiesels. The real challenge is to scale up these plants to meet existing and anticipated biodiesel demand.

Time For A Policy Rethink?

India is not the only market for bio-fuels. Robert Outram, a consultant with Frost & Sullivan, who addresed a seminar in Mumbai recently, says that the ethanol and biodiesel markets in Europe and America are short on capacity and high on demand. He believes that India can be a source for cheap feedstock and fuel.

Ethanol constitutes almost 80 per cent of the global bio-fuel demand. India is the fourth largest ethanol producer in the world, after Brazil, the United States and China. A recent assessment by the United Nations Conference of Trade and Development (UNCTAD) shows that for the 5 per cent blend mandated in India, the ethanol required would be 640 million litres in 2006-2007, rising to 810 million litres in 2011-2012. "Current capacity can potentially satisfy this demand," the report says.

But political opportunism holds us back. Ganpat Magar, who works as a painter, is a sugarcane farmer who migrated to Mumbai for a better life. "The abundance of crop on my farm

Fuels for the **future**

NEARLY a hundred years ago, alcohol drove Henry Ford's first car and peanut oil fired Rudolf Diesel's first engine — inventions that changed the world forever. In the decades that followed, the market chose to dredge rather than harvest its fuel. Cheap oil gave more miles per litre and distracted any debate on alternatives. But the climate is changing. As oil prices go through the stratosphere and supplies dry up, the world looks for green fuels that are biodegradable, non-toxic and renewable. Indian policy makers are looking at them, too.

Biodiesels, also called FAME (fatty acid methyl ester), are made from plant oils or waste industrial oils. They are used as blends or as direct substitutes for diesel. Germany, which is the world's largest producer of biodiesels, uses canola oil, while the US uses soybeans as feedstock. In India, the main source of biodiesel is expected to be the jatropha plant.

Bioethanol is produced by fermenting molasses, a by-product of the sugar industry. According to a Frost & Sullivan study, "about 40 kg of molasses is produced per tonne of cane, from which about 10 litres of ethanol can be obtained. If the sugarcane is directly and fully used in ethanol manufacture, the yield of ethanol is 70 litres/tonne". But in 2005, two years after a 5 per cent blend of ethanol was made mandatory in India, drought-induced sugarcane crop failure led to shortages.

Biomass, or cellulosic ethanol, can be the ideal fuel of the future. It is not commercially produced yet but efforts to convert biomass (woodchips, forest residues, dry grass, etc.) into ethanol are underway. In India, this sector is attracting investment for new clean fuel technolcgies. ■

forced me to move out," he says without a hint of irony. Cane purchased by sugar mills are owned by some of Maharashtra's most powerful politicians. Magar's produce fetched unsustainably low prices; he remained unaware of any other use that cane could be put to.

Besides, extracting bio-ethanol from sugarcane is expensive, given the country's current yields and production techniques. "Where is the land to grow more sugarcane, and how will we balance our food and fuel requirements?" asks Sinha. While India is among the top producers of sugarcane, it is also the second largest consumer of sugar. This creates breaks in the ethanol supply chain. Scarcity of arable land is another critical issue.

BPCL, says R K Mehra, general manager of logistics, has alternate supply channels in place. "We have tied up 75-80 per cent of our ethanol requirements, at existing blending levels, over the next three years. We are also looking at a joint venture with the Brazilian government to augment our supplies."

"Studies indicate that it may not be too difficult to meet demand for even 10 per cent ethanol blending with efficiency improvement measures, use of alternate crops, and deployment of new technologies such as enzymatic fermentation of cellulosic material," says Anish De, associate director, Ernst & Young.

Ways And Means

Biodiesel, which is produced from jatropha, edible oils (soy, palm and rapeseed) and other fats, is seen as one alternative to ethanol. Already, at 11 million hectares, jatropha has the largest area under cultivation.

At a seminar in Mumbai last month, organised by consultants Frost & Sullivan, Indian Oil Corporation's chief of research and development, Dr Rakesh Sarin, said that the company has invested in 200 acres of jatropha plantations and is looking at a variety of blends that could eventually ease dependence on crude oil. BPCL has about 600 acres of jatropha under cultivation. Reliance Industries has also contracted farmers to cultivate 200 acres of jatropha in the Kakinada district of Andhra Pradesh.

Though there are no official estimates on total investment coming in, the biodiesel industry has seen growing interest from public and private fuel companies in India.

But, "A number of issues such as yield per acre and profits for farmers in jatropha cultivation have to be resolved, before declaring jatropha a miracle seed," says Sinha. "Until that happens, it will be impossible to fix prices or production figures for biofuels."

biodiesel is seen as a highly priced, low yield alternative. India's initial experiments with jatropha indicate as much. According to a recent study by policy think tank IRADe (Integrated Research and Action for Development), biodiesel will cost anywhere between Rs 18-23 a litre only if the jatropha seeds are available at Rs 6-7 per kilo and yields are at projected levels. Jatropha now costs Rs 15 a kilo; projections on yield may also have to be revised.

The Green Mile

India must hedge its energy risks by seeking an assortment of options. Indian-American venture capitalist Vinod Khosla, co-founder of Sun Microsystems and founder of Khosla Ventures, is known to have invested heavily in ethanol companies; he wrote in July 2006: "We can start towards a greener, cheaper, politically acceptable fuel that creates a boom, rejuvenates the rural economy, and, maybe, even enhances the battle against global poverty, while costing little, and at relatively lower risk than both oil and other alternatives."

New technologies come with their fair share of controversies. The US, for instance, is the largest producer of corn ethanol, a subject of considerable debate, as growing and converting corn emits a substantial amount of greenhouse gases. Also, as farmers prefer to sell corn for fuel instead as food, global food prices have surged. But Khosla, who is backing his activism with hard cash, says that comparisons between ethanol and gasoline are flawed as the subsidies on oil are not taken into account.

India has to find a way by which it can exploit its ethanol advantage along with building its biodiesel capabilities. It could study energy-sufficient Brazil, where gas stations allow consumers to decide the appropriate ethanol-petrol blend for their vehicles. Future generations may yet thank us for not treating clean fuel as an oxymoron. ■

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Dr. Debesh Das, Minister-in-Charge, Department of Information Technology, Govt. of West Bengal

The Big Leap

Bengal is putting in the best effort in the realm of Information Technology and is making way for mega global IT projects.

If we take a close look at the fast growing Information Technology world of Bengal, developments are happening at a rapid pace. Kolkata's Rajarhat has become the obvious choice for setting up the cherished projects of a slew of top global IT players. There are around 50,000 professionals working in the Information Technology industry of Bengal and the figure is set to reach 2 lakh by calendar 2011. One of the significant developments in recent past includes DLF venturing out to build the second Information Technology Park on 25 acres of land at Rajarhat that will provide 2.5 million square feet of workspace for IT-enabled service. With an investment worth Rs 700 crore, the proposed park will come up in phases and will form a landmark of the new IT corridor at New Town.

The state Information Technology department is aggressively moving on the progressive path of development. There will be a crucial development in the field of Knowledge Process Outsourcing and the big brothers of IT like Wipro, IBM and Tata Consultancy Services have recorded a higher rate of growth in Kolkata than other cities of India. According to Dr. Debesh Das, Minister-in-Charge, Department of Information Technology, West Bengal, "Rajarhat has become the ideal choice for setting up an Information Technology hub owing to its proximity to Netaji Subhas Airport and world-class infrastructural facilities. The top-notch IT players like Delliot, Tata Consultancy Services, IBM, Satyam Computer and Cognizant are looking ahead to establish their foothold at Rajarhat. We have acquired a land of 332 acres at Jagdishpur in the vicinity of Rajarhat for setting up an IT hub." The minister also puts forth that the role of Webel is indeed commendable in spearheading IT-enabled education all over the state. Information Technology no longer remains just an elite affair and is spreading in classrooms. Webel is heading the sought-after IT projects of the state government at Jagdishpur and Kalyani. Add to this, it has been instrumental in setting up Finishing Schools for young engineering graduates to offer them an exposure in Information Technology at subsidized rates.

The Information Technology industry in the state has notched up a growth of 46 per cent against the national average of 32 per cent last year. "This year, we expect a growth of 50 per cent and we hope that Bengal would step up four times more in three years time," avers the IT Minister. Salt Lake Sector V that constitutes the IT nerve centre of the state will soon get an IT logistics centre designed to provide comprehensive IT logistics solution to IT professionals.

"There is a huge space available for augmentation of Information Technology as much as 4 million sq. ft built-up space in Kolkata. Another 2 million sq. ft space will be available in two years," adds Debesh Das. The state government is seriously pursuing its ambitious plans to set up an IT special economic zone (SEZ) at Durgapur on 125 acres of land area, initiated by the reputed Shapoorji Palonji. Siliguri will become the centre for Software Technology Park. The state government is going ahead to establish an Advanced Information Technology Park on 100 acres of land at Kharagpur. Work is in progress for an IT special economic zone to come up at Kalyani on 195 acres of land.

With a view to attract the chip design companies, an 18-storied building called India Design Centre is being built at Salt Lake on 1.5 acres of land that will provide facilities for incubation, research and development, training and business. The West Bengal government is seeking the support of IT hardware companies based in Taiwan, China and South Korea to make the state a potential hardware manufacturing zone.

A step ahead face of Bengal IT

Siddharth, IAS, Secretary to Govt. of West Bengal, Department of Information Technology and Biotechnology, highlights the significant milestones reached by Bengal IT industry and the interesting developments ahead.

The Information Technology industry in Bengal has become an attractive proposition and the state government is setting for new highs. What are your proudest achievements in the department?

At the turn of the century, when we look at Bengal Information Technology scene, there is a reason to cheer. The state IT industry employs around 55,000-plus professionals, our export is 1 billion dollar and the growth has been 46 per cent as against the national average of 32 per cent which is indeed a marvellous achievement within a short span. We expect to grow higher than 50 per cent and emerge as the leading IT state in India.

How do you feel the IT department working to the cause of Bengal with regard to India's increased interest in the state as a preferred IT destination?

Our IT department has adopted a promotional strategy that helps us to identify those IT companies that have their headquarters in other cities of India and have not reached Kolkata. We visit those cities like Mumbai's Rolta India Limited and make presentations on Advantage Bengal to those companies. We are participating in IT-related events held all across the world. Road shows are organized in cities like Mumbai, Bangalore, Chennai, Hyderabad and National Capital Region. We are emphasizing on more inclusive growth in the IT sphere. A study taken up by Price Waterhouse Coopers has selected five locations like Haldia, Kalyani, Kharagpur, Durgapur and Siliguri that have tremendous potential to emerge as future IT destinations. At Kharagpur, an Advanced IT Park will be set up with a Biotech Park and the space will be allotted to high-end IT entrepreneurs.

What are your future plans to attract big-ticket IT investors from developed countries?

The state IT department has made its presence at CeBit, the world's largest IT fair held in Hanover, Germany. We propose to hold an Investor Seminar in Europe sometime next year in order to interact with Information Technology players who have performed exceptionally well and would like to foray in Bengal.

New destination for electronics industry

Debanjan Datta, Managing Director and CEO, WEBEL

Bengal can become the new playing field for electronics companies.

When we are talking about the success stories of Bengal Information Technology, the immense contribution of Webel along with the state Information Technology department deserve special mention. Being an electronics industry development company, Webel began its tryst with IT in 2000 and has played a dominant role in creating successful IT companies in Bengal. Spurred on by a mission to attract more investments in the state IT sector with a view to generate employment potential, Webel has the expertise to form joint ventures with successful IT players.

Webel has always stepped ahead to develop sound relations with electronics majors in an attempt to offer a fillip to the state electronics industry. Explains Debanjan Datta, Managing Director and CEO, Webel, "The electronics industry is emerging at a pace in Okhla and Kolkata is a great field for the electronics industry to surge ahead. With the purchasing of the masses going up, the electronics industry can start booming in the city. We often look at Tamil Nadu and offshore destinations like Taiwan for the making of electronics equipments. Hence it is essential to set up a special economic zone (SEZ) for the electronics industry."

Webel has rolled out short-term courses in its Finishing Schools. Adds Debanjan Datta, "Around 1 lakh professionals are employed in the semi-conductor industry of India and the figure is likely to reach 15 lakh by 2015. Bengal accounts for 25 per cent of the manpower in the country's semi-conductor industry and provides great scope." Datta also avers that Bengal occupies the sixth slot in the Indian IT scene while Andhra Pradesh and Tamil Nadu hold the fifth and fourth positions. It is most likely that Bengal will climb the top slot in another three years on.

Avijit Basu, CEO, Connectiva Systems Pvt. Ltd.

Ready to steal a march in Bengal IT

Riding on the boom in Information Technology sector, Connectiva Systems of United States is bent upon to employ the unprecedented talent pool in the Bengal Information Technology industry in order to bring out high-end software products with complex technologies based on world-class Research and Development ambience.

Guess of a huge multinational IT company that intends to nurture the best of talent pool in Bengal IT industry and is making a sincere attempt to bring back the crème-de-la-crème of IT professionals back to their hometown in Kolkata by offering the best of infrastructure facilities? The answer is New Jersey-based Connectiva Systems Private Limited that has established its Research and Development facility in the city back in 2001. The Information Technology sphere requires highly skilled professionals who have mostly migrated from Kolkata to various parts of the globe. With an aim to create a unique organization that would differ from that of a typical service provider and develop solutions for the telecommunications industry on a global range, Connectiva Systems extends its service beyond revenue assurance solutions.

The global IT organization has its focus on providing revenue management solution and its core team comprises software professionals from the city. So what are the key concerns of the IT giant? Quips Avijit Basu, Chief Executive Officer, Connectiva Systems Private Limited, "We hope to ensure that we are ready to take up the challenge of managing growth of high potential, keep with the tradition of creating software products that would have global recognition and harbour the excellent talent pool in the Bengal IT industry. We have been successful in our endeavour owing to the synergy that exists between our IT professionals and the vision of our organization. Our human resource policy has a well-defined recruitment plan which is in synergy with the product road map and motivates professionals to become innovative and brave the challenge of the industry." Basu also points out that in terms of development of novel software items, the company's Research and Development wing will lead the future IT industry across the globe.

Bengal has been touted as one of the front-runners in the realm of Information Technology development and is a favourable ground with a huge pool of IT talent. Comments Avijit Basu, "Most of the software players in Bengal are the offshore outfits of their parent company with their headquarters in western countries. These software organizations operate in their back office rather than emphasizing on innovating new software techniques. Hence the vast talent pool of the state has not been utilized in an effective way." He compares the Kolkata IT professionals with cities like Bangalore and Hyderabad that have service-oriented IT professionals. While the IT experts in the city tend to exhibit a high level of innovation and motivation that are quite essential for creating high-end software products. "One of the biggest opportunities for the Bengal IT sector in these days is to pave the way for next generation software companies with their headquarters in the city," asserts Avijit Basu who has a dream of making the city a strong base for global software organizations and feels that the best IT talent of Bengal should be a part of the leading software provider.

The organization intends to remain close to its clientele base. Hence it has to bolster its operations all over Asia and the Indian sub-continent. It also has its focus on spreading its wings all over Bengal that has a tremendous growth potential. Avers Avijit Basu, "We expect a growth of 100 per cent in our organization by 2010 and a sound growth in Asian and European countries."

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- Capacity **building of computerized Braille Transcription** system at Blind Schools

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Rural Connectivity
Livelihood Generation

MLAsia Hub at Eastern region

- Indian Institute of Technology, Kharagpur, West Bengal

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THE entry of India Today Group into the morning newspaper business through a tabloid, *Mail Today*, instead of a broadsheet marks another watershed in the struggle of traditional products in a fast changing consumer-scape. The fact that it is the second big name-backed newspaper launched in a year with a tabloid editorial voice and format after *Mumbai Mirror*, confirms the ascendancy of trend over tradition. Last year also saw the launch of India's first compact business daily, *Mint*, whose format was promptly imitated by market leader *The Economic Times*.

"The biggest sin for the newspaper would be if it bored you," wrote the Today group chief, Aroon Purie, in his letter to readers in the inaugural edition of *Mail Today*. He also referred to the pressure of instant media such as Internet and round-the-clock television on newspapers and offered his solution: "Quite simple. Have attitude."

Rajesh Jain, executive director of KPMG India, points out that globally, newspapers switching from broadsheet format to tabloid or compact format have improved their revenues. "However," he qualifies, "Indian newspaper market is still growing by 15-20 per cent a year, and the way the new format papers can take away market share from the entrenched broadsheets is by improving on the indifferent content offered by all media in the country."

In fact, traditions are under attack across products and brands as the twin forces of technology and globalisation are adding to the challenge of changing conventional tastes and each new generation trying to break away from the past. In an integrated world, the previously cocooned cultures are being thrown into the melting pot of global commerce. Consumers now have access to exotic things all over the world and businesses are eager to get out of their traditional turfs and tap into this new zeitgeist. As a result, traditional pro products and brands are having to reinvent themselves to ride the trend winds.

In the UK, the biggest supplier of tradition to the English-speaking world, tabloidisation of newspapers in varying degrees is already prevalent and they are already in the next stage of reinventing the 220-year-old tradition of morning newspapers. The morning dailies are trying to, in more ways than one, become daily magazines. The leader of this change is *The Independent*, a relatively genteel compact paper, as distinct from racy tabloids. Over the past couple of years, it has changed its reading proposition from news headlines to detailed news and feature stories.

With the newspapers reinventing themselves into daily magazines, the traditional magazines are also rushing to adapt to the new information environment. Two examples of tradition

BLOOMBERG

TIDES OF CHANGE: Be it newspapers, scotch or heritage cars, traditional brands are reinventing their images to suit contemporary tastes

ng the MOULD

How iconic products and brands have to adapt to remain relevant in changing times. By Feroz Ahmed

trying to catch up with the trend are the iconic US magazines, *Time* and *BusinessWeek*, which have undergone more than a cosmetic makeover this year.

In March, the 84-year-old *Time* was treated to its most extensive revision in more than a decade. Besides the decorative changes, importantly, it changed its treatment of news and information from weekly reports to a timeless reflection on events of the present. It also swapped its hallmark uniformity of editorial voice of omnipresence for diverse, individual voices. More recently, in October, the 78-year-old *BusinessWeek* also underwent surgery to reinvent itself to be relevant to the new generation of readers. Its readership is mostly among males — with an average age of 46 years. So, it has changed its logo, opened up its cover page for mention of more than one big story, introduced sections on new products and technology that have a catalogue look to them, included links to related stories on the magazine's website and, above all, made its editorial voice more economic than corporate-centric.

Risky Re-invention

However, reinventing tradition is a risky business. The lessons from the consumer backlash to the discontinuation of the century-old Coke in 1985 and its replacement with a New Coke will not be forgotten easily. The revamped *BusinessWeek* is already facing a similar situation, albeit not quite the rejection that the New Coke received. Old, loyal readers are struggling to get used to the new-age *BusinessWeek* and one of them has written to the magazine's website: "Bring my coca-cola classic back." Still, not reinventing a tradition is not an option, for the sake of tradition itself. The scotch companies would vouch for it.

During the 1990s, scotch sales went into a tailspin in its traditional Anglo-Saxon markets of the US and the UK — it fell by about one-third in the UK and nearly by half in the US. For almost a hundred years, scotch's consumption proposition was heritage — bagpipers, highland distilleries, tweed-stuffed, cigar-smoking men drinking in front of

fireplaces — somehow a lifestyle aspiration. But the dotcom generation did not relate to the stuffy imagery and even the bitterness of whisky and they preferred sweet-sour cocktails.

After some waiting for the trend to blow over and tradition to regain its usual place of prestige among the new achievers, most scotch makers gave in by the end of the 1990s. Cutty Sark began to be promoted as a drink to be mixed with colas and lemonades, and J&B hyphenated itself with cola. In fact, the slogan of the new J&B marketing campaign in the US is 'Start a party'. The premium scotch brands such as Johnny Walker reinvented their proposition without sacrificing class. In 1999, Johnny Walker came up with its first global advertising campaign, 'Keep Walking', which associated the brand with personal achievements, in a Nike's 'Just do it' sort of way.

However, the pressure on scotch as a category remains. "If somebody wants to have a cocktail, there is no point in wasting good money on an expensive scotch," says Sidhartha Banerjee, whose company Kyndal India distributes Absolut vodka and Remy Martin cognac in India. The way out for scotch is, according to Frank Braillard, business director, Asia, of the 164-year-old The Glenmorangie Company, which makes the world's best-selling single malt whisky of the same name, that scotch has to tell consumers what it can do for them rather than offer them status through association. "To the global consumers, the place of distillation and vintage of maturity are less important than the benefits they get from a drink," says Braillard. "We've to start by talking about the luxurious, layered tastes and aromas of the drink. Heritage can follow."

For example, Glenmorangie went in for a rather radical reinvention this August. It not only changed its communication, it also altered its whisky and manner of offering its products. It has increased the whisky content in its flagship brand 'Original' to 46 per cent from the traditional 40 and also added a little fruity sweetness to it. It has also launched a range of drinks on the taste platform instead of vintage. For example, its new 'Quinta Ruban' single malt offers an aftertaste of minty chocolate laced with orange. The initial response of Glenmorangie is positive, says Braillard.

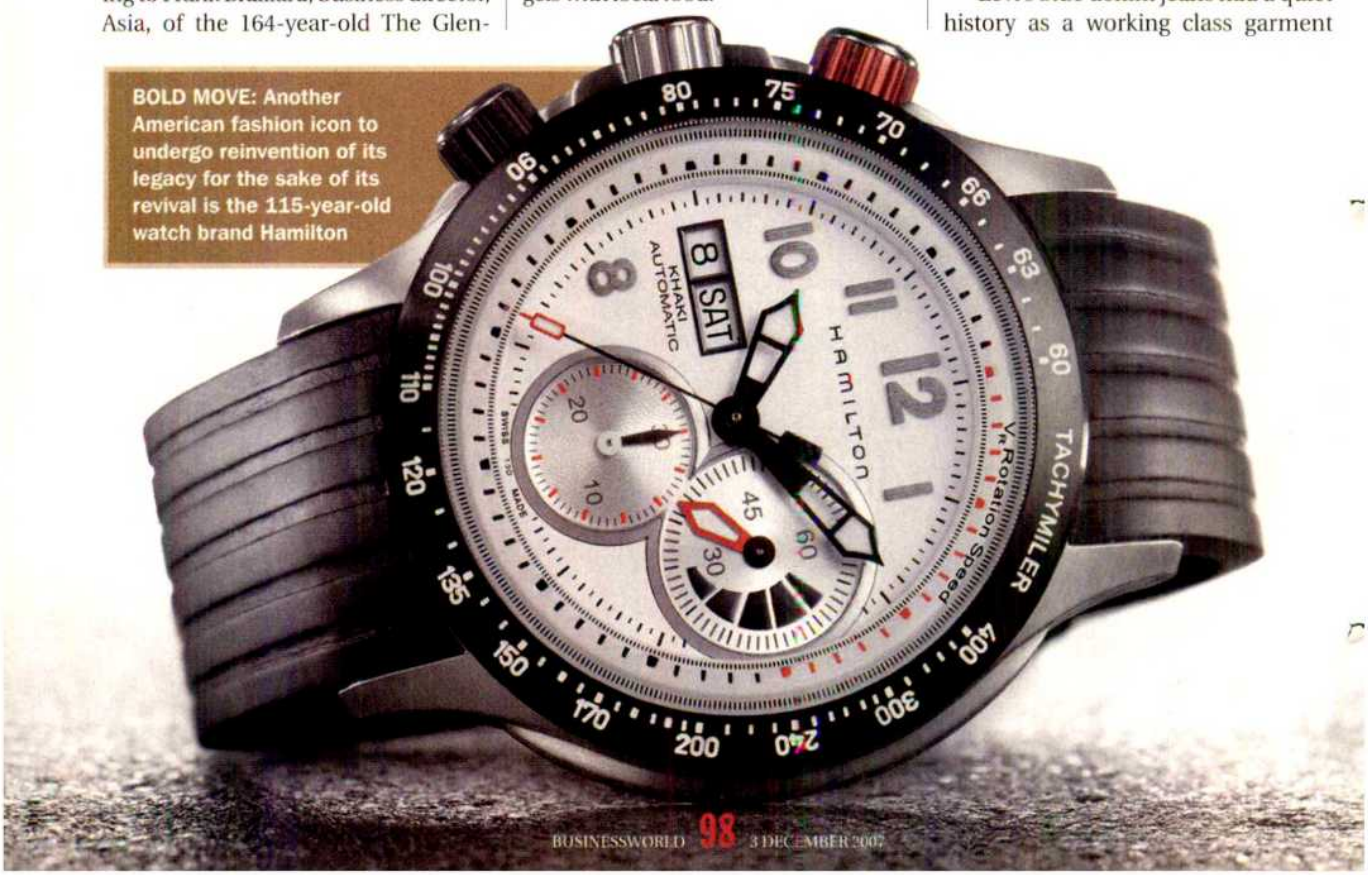
It is much easier to break or reshape traditions of a product in alien cultures. For instance, wine making in India is developing a culture of its own, one that gels with local food.

Re-inventing For Revival

The scotch experience is felt in the British heritage car industry too. Bentley has been reinvented as a gentleman's sports car in its popular avatar of Continental GTC convertible. The makeover has made the car desirable to the suave young rich too as it is almost as fast as a Ferrari or a Lamborghini on the road, but a lot quieter. Jaguar, another troubled British heritage car, is trying to emulate Bentley's turnaround by acquiring the difficult mix of genteel and power. It's new XF model has been designed to look like a sporty coupe despite being a luxury sedan. There is less chrome on the new XF than the traditional Jag. The lighting inside the car is blue-tinged, similar to those in fancy restaurants and bars. But unlike Bentley Continental GTC, this Jag is yet to pick up speed in the market, and Jaguar brand's present owner, Ford, has put it up for sale.

This pressure on a traditional brand to reinvent itself with each new generation without sacrificing its core differentiator or appeal of heritage extends to even a flash-fashion business such as garments. Levi's jeans are a great example of a heritage product and brand coping with tides of change.

Levi's blue denim jeans had a quiet history as a working class garment



BOLD MOVE: Another American fashion icon to undergo reinvention of its legacy for the sake of its revival is the 115-year-old watch brand Hamilton

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BLOOMBERG

ATTITUDE: Historically a working class garment brand, Levi's jeans are a great example of a heritage product and brand coping with change

brand since 1873 until the economic depression of the 1930s. Its sales began to fall towards the middle of the 1930s as jobs began to disappear. Luckily, for Levi's, it was also the decade of the cowboy movies in which jeans figured regularly and prominently. These movies made jeans a lifestyle product of all Americans. Levi's survived the depression years by dumping its working-class heritage for an association with cowboy ruggedness. Still, it had to pay the price for tinkering with its tradition. To cater to its new customers, Levi's had to redesign its backpockets, remove suspender buttons and make blue jeans for women. The next big rejig of the Levi's tradition took place in the 1970s when polyster mania overwhelmed the baby-boomers generation in the US.

However, the biggest threat to Levi's traditional identity came in the 1990s when cotton made a comeback and newer brands such as Gap, Banana Republic and Tommy Hilfiger swept the young consumers with khakis and cargos. Levi's sales dropped by one-third between 1996 and 1999. It was time for it to choose between holding up its tradition or adapt it to the new tastes and keep it alive. After a gap of 70 years, Levi's had to undertake significant changes in its cuts and stitching. In 2001, it managed to pull consumers' attention back to its blue tradition by offering 'engineered jeans' that followed body contours instead of simply hanging from the waist. In 2005, it went further to associate itself with the young and the trendy by introducing limited edition jeans and tops imprinted with artworks of pop art icon, Andy Warhol, who had designed paintings and logos for Levi's flagship jeans, 501, during the 1980s.

Another American fashion icon to undergo reinvention of its legacy for the sake of its revival is the 115-year-old watch brand Hamilton. Till the demise of the American watch industry in the early 1970s, Hamilton had become a Levi's-like part of American culture. At different points in its history it had been the brand choice of many American institutions — railroads, armed forces and Hollywood. Hamilton watch has appeared in more than 300 Hollywood films.

After three indifferent decades in which it largely remained confined to the US, its latest owner, the Swatch Group of Switzerland, is taking it places, hawking its rugged looks and Hollywood association. "A lot of Hamilton users can afford watches that are 5-6 times more expensive, but they prefer Hamilton because no other luxury watch has its all-American attention-grabbing boldness," says Matthias Breschan, president of Hamilton International. The Swatch Group has shut down all peripheral product lines of Hamilton to focus exclusively on its military and movies proposition.

This churn in tradition and its sales proposition is going to intensify further as globalisation is creating a cocktail of cultures and mutating cultural symbols. Technological innovations in communication and information delivery will accelerate that push. There is a lesson in this Darwinian economics of traditional products and brands for current icons such as iPod and Google. ■

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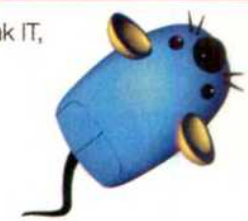

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BROWSING

Balaji Jagannathan

Managing Director
Sybase India

I am reading **A THOUSAND SPLENDID SUNS** by **KHALED HOSSEINI.** Hosseini is one of my favourite fiction writers. I adore his work for its simplicity and the way he manages to paint enthusiasm into his words.

I relish reading fiction books. Besides fiction, on a professional side, I am inclined towards management books as they highlight the real work issues.

I usually select books on the basis of reviews in newspapers or magazines. Besides that, works from my favourite writers are always anticipated and read leisurely. ■

ALERT

THE TRUE COST OF HAPPINESS
The Real Story Behind Managing Your Money

By Stacey Tisdale and Paula Boyer Kennedy (John Wiley)

This book offers an interesting look at how money can become a useful ally in the 'pursuit of happiness'. The authors offer strategies to help you tailor your financial plans towards your life's goals. You will be able to introspect about whether your decisions are synchronised with each of these objectives. The book provides readers with real-life case studies and draws lessons from each of these that can be applied as solutions for various needs and situations. ■

Old can not

BIBEK DEBROY

THIS is a book that never quite takes off. We are told the book's journey began in 2003. A journey that begins in 2003 and ends in 2007 is inordinately long, even for the book publishing industry, which sometimes takes as long as an elephant to deliver. In the process, papers become hopelessly dated, particularly when a country is in transition mode. The problem is compounded if only 4 out of 14 papers have specifically been written for this volume. The others are reprints and tend to be even more dated.

Here are two illustrations, the first from Stanley Kochanek's paper on liberalisation and business lobbying. "Over the years CII has developed a close rapport with the Government of India and has become the most effective and powerful lobbying organisation in the country.... FICCI and Assocham, increasingly embittered by the growing visibility and influence of the CII, have begun to accuse the organisation of being a handmaid and stooge of the government." Kochanek wrote this in 1996. Would he have written this in 2007? And in 2007, do you include a paper (without editing) that describes Ajay Rungta as the President of FICCI and Tarun Das as the Secretary General (sic) of CII? Take the second instance, a paper by Lloyd Rudolph and Susanne Rudolph on the iconisation of Chandrababu Naidu? This was originally published in 2001. In 2007 should one still have a paper on Naidu? If one does, should one not edit sections where K.C. Pant, Yashwant Sinha, Bimal Jalan, D.R. Mehta, Rakesh Mohan and the ubiquitous Tarun Das (whose designation is thankfully right) are described as located in the wrong places? Should one leave intact the following? "Is a BJP-led central government prepared to tighten the fiscal screws on a BJP-controlled state (Maharashtra) government? Would it be tempted to use central government discretion and resources to help woo voters in a state assembly election where its candidates are fighting from behind? Would it want to tighten fiscal discipline on a laggardly UP where its government was already in deep trouble politically?"

There are three problems with the 10 old and reprinted papers. First, most of

SELECTION

God of small trends

FAMOUS for identifying "soccer moms" as a crucial constituency of swing voters in Bill Clinton's 1996 re-election campaign, Mark Penn, in his new book *Microtrends* now introduces us to 'Ardent Amazons', 'Cougars', and 'Archery Moms'. These are groups or forces that, according to him, despite existing 'under-the-radar' and involving as little as 1 per cent of the population, are powerfully shaping American society.

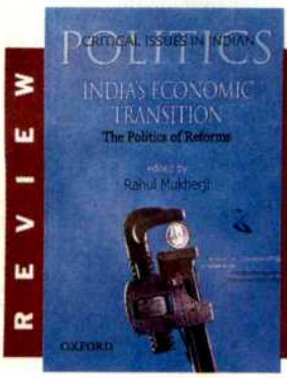
In this delightful and easy-to-read book, the authors argue that numbers are about the only thing that tell the truth, that is, given you know how to read them. So, putting together statistics from various polls and surveys, they identify 75 microtrends which may at times appear to be counter-intuitive. Single women, they say, need not blame themselves for staying on the shelf. The US is just short on supply of single straight men — as gay men outnumber lesbian women by 2:1. Another trend they spots is that contrary to popular belief, most terrorists are well educated.

The 15 chapters (which are further

MICROTRENDS
The Small Changes Behind Today's Big Changes
By Mark J. Penn with E. Kinney Zalesne
Allen Lane
Pages: 425
Price: £5.99

always be gold

them (Jagdish Bhagwati, Montek Ahluwalia, Ashutosh Varshney, Rob Jenkins, Baldev Raj Nayar, AnnaLee Saxenian, Supriya RoyChowdhury) have already been read and are readily available. Second, to the extent reproduction in one single place has utility, the required editing to explain the context and update material hasn't been done. Third, a good editor's introduction might have achieved the same purpose. But unfortunately, this does no more than provide a thumbnail sketch of Indian economic policy-making and a brief summary of each paper. We are thus, left with the four new papers — Prabhat Patnaik and C.P. Chandrasekhar, Rahul Mukherji (The editor of the book, he is associate professor at the Centre for Political Studies at Jawaharlal Nehru University, New Delhi), James Kirk and John Echeverri-Gent. Did I say "new"? Take the paper by Patnaik and Chandrasekhar. We only know when the paper was published, not when it was written. The Patnaik-Chandrasekhar ideology is known and incidentally, doesn't mesh with the ideology of any of the other 13 papers in this book. But would even Patnaik-Chandrasekhar have written the following today? "Optimistic projections on the basis of this (reform advocates) perception have even suggested that the economy could easily achieve a 9 per cent growth in the near future. But such an optimum has not been borne out by the actual experience.... Meanwhile, private corporate investment decelerated sharply from 1996-97." Compared to Patnaik-Chandrasekhar, the value addition is more in Echeverri-Gent. But even that paper, on India's equity market reform, would have been rewritten today. Effectively, the only paper that has something new and interesting to say is Jason Kirk's on the World Bank's State-level loans. One paper out of 14 is not a very good strike rate.



REVIEW

INDIA'S ECONOMIC TRANSITION
The Politics of Reform
Edited by Rahul Mukherji
Oxford University Press
Pages: 460
Price: Rs 650

With the UPA government in power, many new issues have now become important and older issues rendered irrelevant. The UPA is more than 3 years through its term and general elections aren't that far off. Yet, there isn't a single mention of UPA (or the newer issues) in this book, not surprising, because the last paper was probably written in 2002. For a book published in 2007, and this is a book on India's economic transition and not economic history, this is unpardonable. There are better books on reforms around, notwithstanding the ecstatic blurbs. As for the sub-title on the politics of reforms, that's no great USP either. Is there any book on liberalisation that doesn't address the political economy? ■

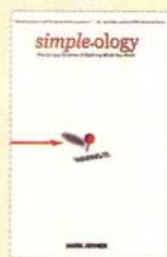
Bibek Debroy is a research professor at Centre for Policy Research, Delhi

divided into micro chapters) group microtrends from almost every area of life such as politics, technology, love, relationships, education, and looks and fashion. A microtrend, says Penn, CEO of global PR firm Burson-Marsteller and the chief adviser to Hillary Clinton's presidential campaign, "is an intense identity group, that is growing, which has needs and wants unmet by the current crop pf companies, marketers, policymakers, and others who would influence society's behaviour". Identifying and understanding microtrends, says Penn, will lead to micro-targeting by advertising and marketing agencies.

The book posits interesting analysis of societal shifts, but one's deep rooted scepticism of professional pollsters and spin doctors wishes that Penn had included bits of raw data into the book. ■

SUMATI NAGRATH

Simply too complex



TO understand internet marketing guru Mark Joyner's latest offering, one should have gone through several tough phases in life— most of the "tough" times ideally encountered at the workplace or while starting a new venture. Only then can the reader find out whether he will gain from the 'exercise'.

Simple-ology: The Simple Science Of Getting What You Want (Wiley) reads like a game manual. To start with, Joyner asks the reader to log on to his website and register for a free, online 'simple-ology' experience. This everyday-user manual for the brain simply describes how you perceive what's going on around you and how people perceive you in that atmosphere. The main theme is to achieve success in a much easier way than the conventional way.

Simple-ology is aimed at those who try to find shortcuts to success, but fail. As much as one likes to find some degree of optimism in this book, the 'I will tell you what to do' approach and a heavy dose of prose puts you off. While, the amount of background knowledge that Joyner provides while proving his point is commendable, in the process, all he is trying to tell the reader is to use common sense. In all, he makes fulfilling ambitions seem like rocket science in his 241 pages of examples and explanation. Well, now we know 'how to' complicate simple logical reasoning. ■

SANJITHA RAO CHAINI

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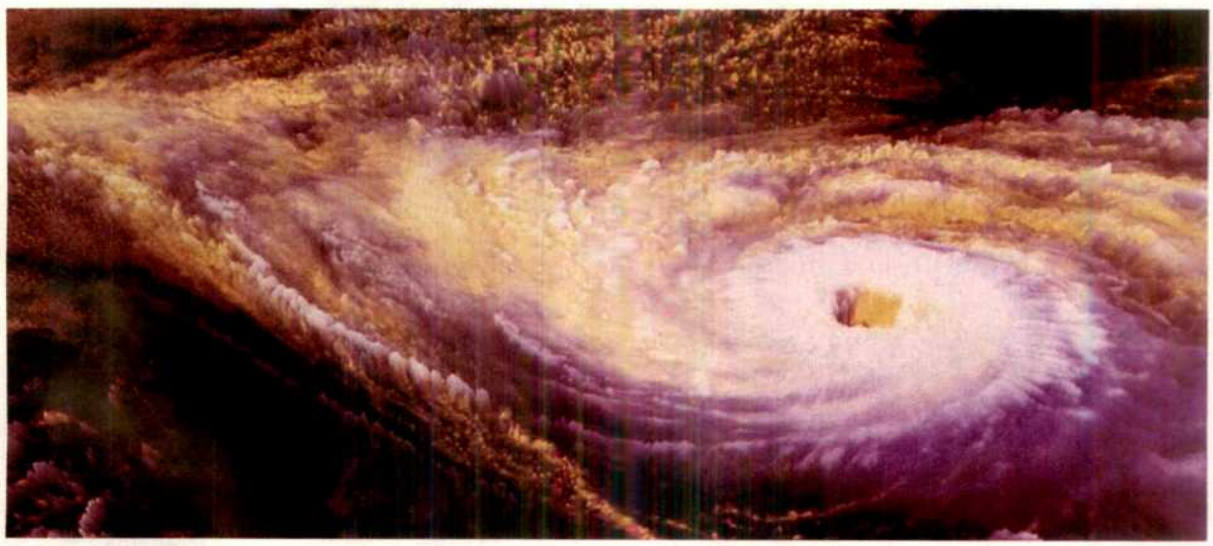

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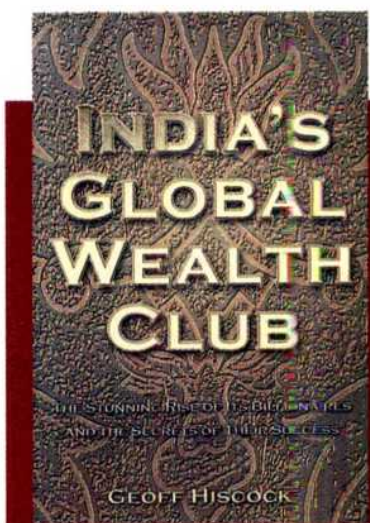
When India goes shopping

India's retail sector is all set to grow, but first, there are certain hurdles to be overcome, says Geoff Hiscock

BHARTI Enterprises chairman Sunil B. Mittal calls India "the last Shangri-la of retail." It's an expansive claim, but the figures bear him out: where else does a retailer find a US$300 billion market that is likely to double by 2011 and almost triple to about US$900 billion by 2015? As such, it is firmly in the sights of Mittal, whose success in telecoms has taken him into the top ranks of India's global wealth club and given his Bharti Group the firepower to focus on "organized" or "modern" retail as the next big growth area. He won't be alone. Along with Mittal's American joint venture partner Wal-Mart, a host of Indian business houses see the same opportunity. Among the top names are Mukesh Ambani with his ambitious Reliance Fresh project, Adi Godrej's Aadhaar rural chain, the Tata Group's Trent and Infiniti arms, the super-aggressive Kishore Biyani's Pantaloon/Future Group, the K. Raheja family's pioneering Shoppers Stop, K.M. Birla spreading his retail wings with the purchase of the 172-store Trinethra chain in the southern part of the country, the Piramal family's Piramyd and Crossroads brands, the Goenka family's Spencer's supermarkets. And salivating on the sidelines are overseas contenders such as Tesco, Carrefour, Metro, ShopRite, and Woolworths.

India's foreign investment regulations limit offshore retailers for now to franchises and multi-brand outlets — hence, the Bharti Group's cash-and-carry joint venture with Wal-Mart will carry the Bharti name out front, even if the back-end systems benefit from the American giant's years of big-store expertise. But the rules may ease before the end of the decade, allowing the global players to open stores in their own right. That could bring in flood of money, according to industry expert Arvind Singhal, chairman of Delhi-based retail consultants Technopak. Even playing by the existing rules, Singhal expects the leading domestic and foreign retailers to invest US$22 billion over the next five years in India, creating an additional 2.5 million jobs in the process. Bharti is planning to spend US$2.5 billion, and Ambani is talking about a Reliance investment of more than US$5 billion.

Singhal believes the next few years will be "the most remarkable in the evolution of modern retail in India". India, he says, is attempting to do in a decade what took 25 to 30 years in other major retail market around the world. Modern retail — supermarkets, hypermarkets, "bigbox" outlets, department stores, and specialty shops in malls — represents only 3-4% (or about US$12 billion) of total retail spending in India, compared with 20% in China and 85% in the United States. But it is by far the fastest-growing segment, powering ahead at 35-40% a year in a country where about 12 million mom-and-pop shops traditionally have dominated the shopping scene. By 2011, the modern retails segment will grow to almost US$100 billion, and it will be approaching US$240 by 2015, according to Technopak's research.

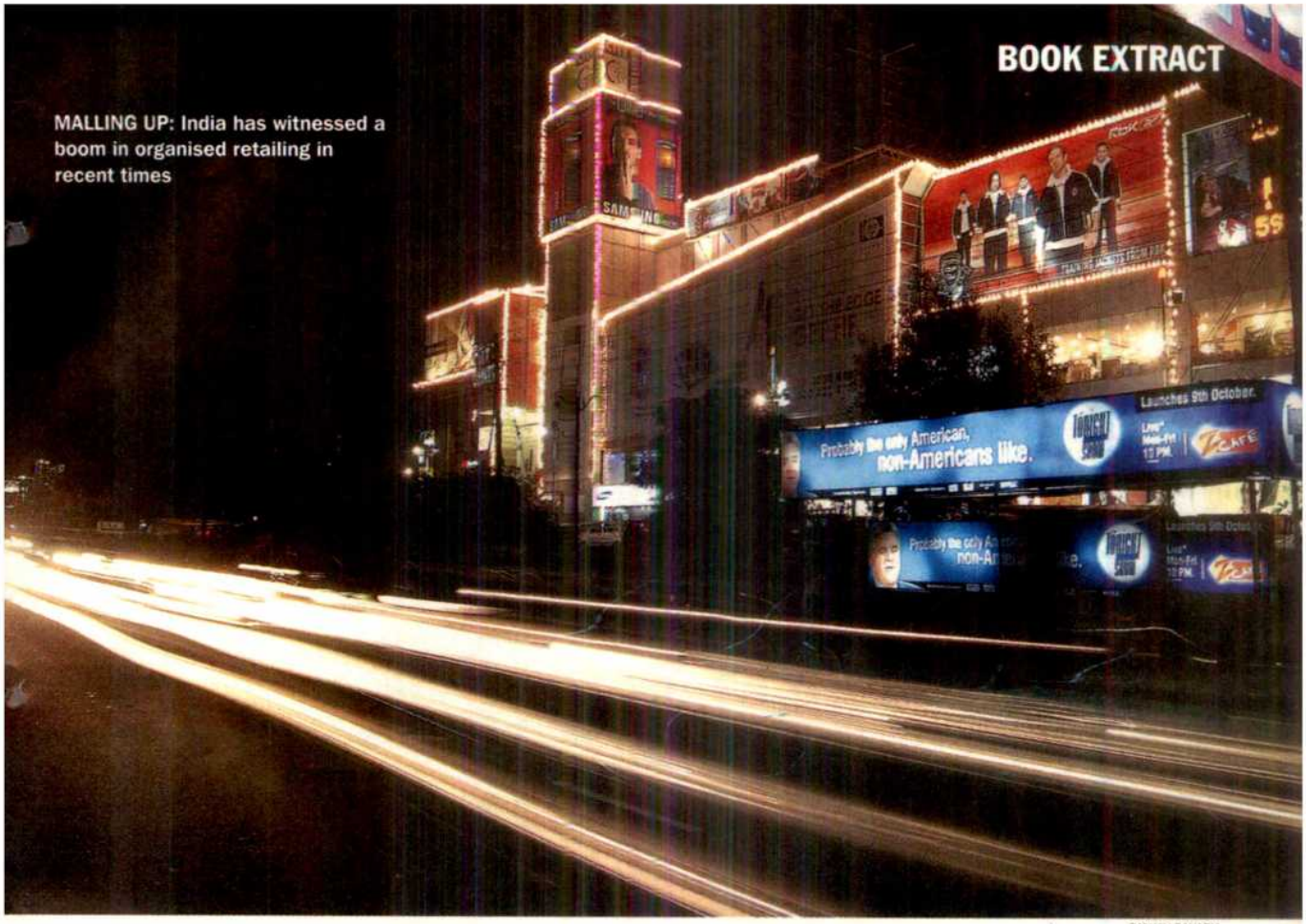


INDIA'S GLOBAL WEALTH CLUB
The Stunning Rise of Its Billionaires and the Secrets of Their Success
By Geoff Hiscock
John Wiley & Sons (Asia)
Pages: 294; Price: $29.95

The Mall Boom

If the future opportunity for modern retail looks bright, the current reality is a little harder to discern. One aspect of it is on display in the boomtown of Gurgaon, on the outskirts of New Delhi. There, amid the high-rise apartment blocks, the office towers for Dell and Amex, the gyms, the tennis courts, the golf courses, and the raggedy huts of itinerant construction workers, the great experimental malling of India is taking place.

Shopping malls by developers such as DLF, Unitech, Sahara, and Raheja are popping up everywhere. On a recent



MALLING UP: India has witnessed a boom in organised retailing in recent times

SANJAY SAKARIA

weekend at the MGF Metropolitan Mall next to Gurgaon's Heritage City residential area, a gaggle of hopeful contestants wait their turn for a shot at the Indian capital's biggest talent quest.

Saturday shoppers pause briefly to watch the amateur pop singers, then head inside the mall's air-conditioned comfort to browse through a mix of 60 shops, restaurants, cinemas, and a games arcade. Brand names abound: Tommy Hilfiger, Levi's, Benetton, New Balance, Rockport. Across the dusty road at DLF's four-level City Centre Mall, a similar scene of blissful middle-class consumption prevails — the restaurants are busy, the Bombay Bazaar sari shop is humming with mothers, daughters, aunts, and grandmothers poring over fabric choices. It is a theme being repeated across India's biggest cities: at the Shoppers Stop departments store in suburban Mumbai, the Pantaloons fashion shop in Kolkata's Gariahat, or the Big Bazaar in Bangalore, the brands are often global, the store layouts familiar to any devotee of consume dynamics.

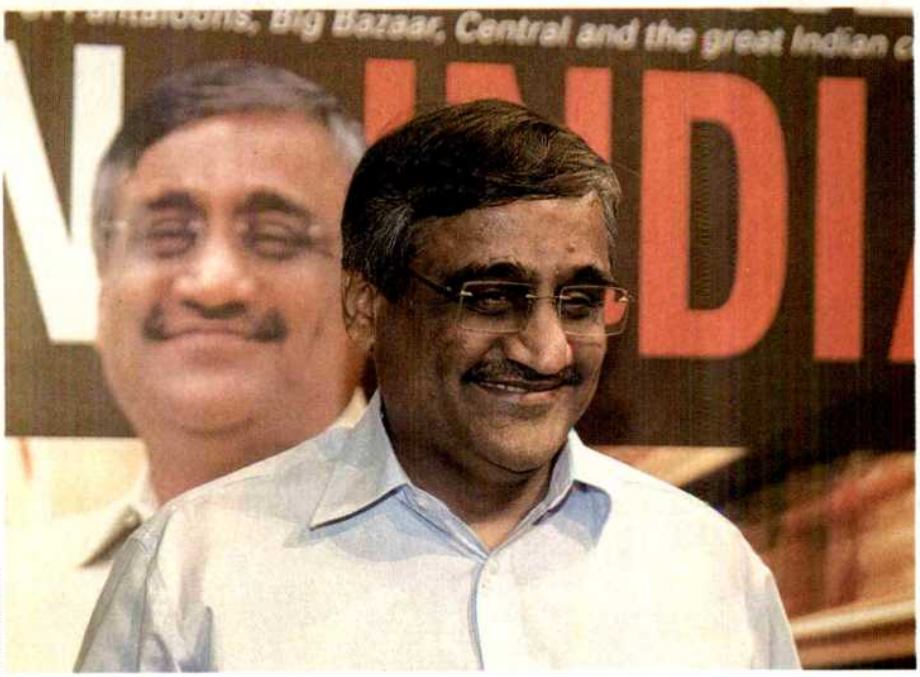
But with up to 500 malls planned or under construction, is India in danger of being over-malled and over-modernized? Singhal puts it into perspective with some figures: "India's retail sector needs more than 500 million square feet of retail space. All of the malls being built and planned total less than 150 million square feet. So, at the macro level demand for space far exceeds supply."

But at the micro level, Singhal says there could be some mismatching: "Issues such as zoning, parking, the right mix of shops have to be taken into account." A Gargaon mall that is crowded on weekends can be deserted during the week. Plus, pedestrian traffic doesn't necessarily mean sales, given that window-shopping in air-conditioned comfort can be a cost-free way to pass the time of day. Nor is the situation unique to Gurgaon. Recalling the 1999 launch of Piramyd department store in Mumbai's first mall — the Piramal Group's Crossroads — Piramyd Retail chief executive K.N. Iyer observed in 2005 that catering to a mall's diverse set of customers can be a challenge. "The issue is not with high footfalls. But all customers are not serious shoppers," he noted. So, to the retailer/property developer's first question: "If we build it, will they come?", the answer seems to be: "Yes, but we're not sure yet how much money the visitors will spend."

Bigger Problems Ahead

While a lack of turnover might seem a retailer's worst nightmare, there may be bigger obstacles in the way of profitability. These have to do with India's dysfunctional supply system, a lack of any meaningful cold storage chain for perishables such as dairy, fruit, and vegetables, and increasingly scarce management talent. Throw in market fragmentation, rising prices for commercial property, a fractious body politic that can wax and wane about outside investment, plus the prospect of hyper-competition from 2008 onwards as the footprint of the top six retail players starts overlapping in India's top 20 to 30 cities, and the retail outlook can seem less than rosy.

In the view of industry experts, the first challenge is to get the supply chain fixed. Lack of refrigeration, poor



SUBHABRATA DAS

RETAIL BARON: Kishore Biyani is one of the pioneers of organised retail in India

transport links, red tape at state borders, and too may middlemen means 40% of perishables are spoilt, which is why Reliance Industries is pumping more than US$5 billion into its "farm to fork" approach.

Mukesh Ambani calls his retail expansion plan a "path breaking initiative that will empower India's rural people." It means he will buy direct from farmers, cutting out three or four layers of handling, and upsetting some wholesale merchants in the process. Then Reliance will truck, pack, brand, and sell the products through food stores it has begun rolling out in cities such as Chennai, Hyderabad, and Jaipur. All told, Ambani has ambitions to open 5,000 stores nationally, covering food and a multitude of other goods. Like Ambani, the Birla, Godrej, Biyani, Raheja, Tata, Piramal and Goenka families are snapping up managers as fast as they can. The war for talent in the retail space is absolutely critical, in the view of Singhal, and has been largely under-estimated. The problem is not the quality of the people serving customers, but with middle management, which he describes as "extremely weak." Nor is hiring expatriates a viable solution. "India is going to have to train these middle managers. It will take them three to five years to understand the complexity of the business," he says, and even then a lot of their knowledge will be theoretical only. He warns that these middle managers "are going to have to get it right every single day." Just one slight mistake on stock choices and levels, for example, will see them with a lot of goods unsold. A big player such as Ambani already has a home-grown talent bank inside Reliance, many of whom have had retail experience. Likewise, Sunil Mittal's strategy is to redeploy several hundred telecom executives from his Bharti Airtel business — where rationalization is freeing up staff — to the modern retail business. Whether the skills transfer will smooth remains to be seen.

The other big problem for modern retail is with quality, quantity, and consistency of supply. Singhal says that most Indian suppliers so far have been small companies. Large retailers with a national footprint will want suppliers of a similar large scale, able to deliver consistent quality across the country. Singhal fears that many of the thousands of small supplies won't be able to cope with the big retailer's requirements. Like the mom-and-pop stores, their future lies in local service and local knowledge of customers' needs.

Slicing The Consumer Pyramid

Even so, the industry view is that there is space across India for at least 10,000 new outlets of all shapes and sizes; in addition, another 10,000 existing outlets are likely to undergo complete facelifts in the next few years. The streetscapes of cities and towns are being changed as supermarkets, department stores, mini-malls, and brand name advertising become more noticeable. All the ingredients are right for expansion, starting with the consumers. Before the end of the decade, India will have almost 150,000 households that qualify for "super-rich" status — annual incomes of more than 10 million rupees, or about US$230,000. But while they might sit at the top of the consumer pyramid, it's not their money that will drive India's retail revolution. That role belongs to the middle and bottom of the pyramid, where three income groups — known to researchers as "aspirers," "seekers," and "strivers" — reside. They make up "the fortune at the bottom of the pyramid" — the phrase first brought to prominence by influential University of Michigan management expert and author C.K. Prahalad to describe the

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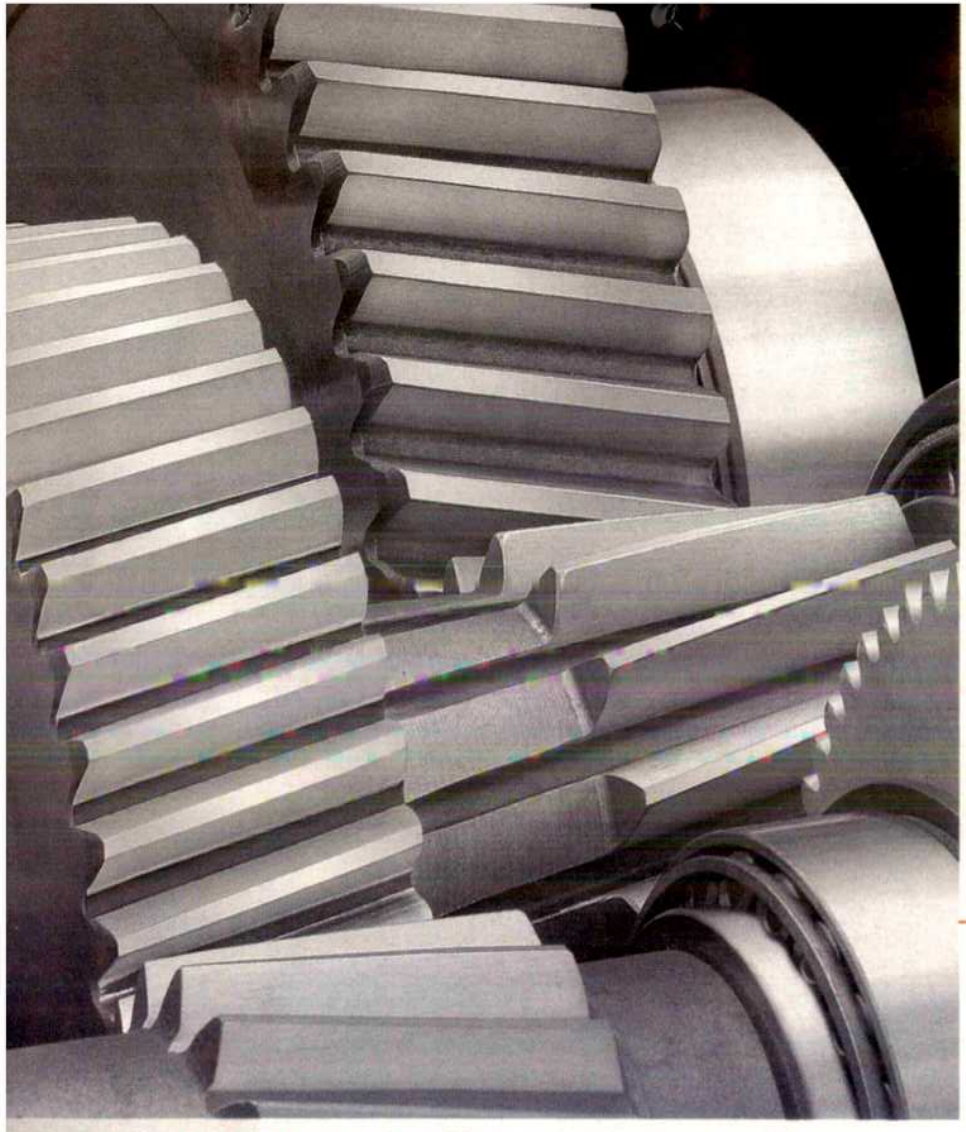

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A FRESH OUTLOOK: Ambani has ambitions to open 5,000 stores nationally

TRIBHUWAN SHARMA

urban and rural poor. According to India's leading economic think tank, the National Council of Applied Economic Research, these income segments between them will constitute more than 100 million households by 2010, and have about US$500 billion a year to spend. So far, though, modern retail remains the exception to the shopping rule experience for most Indian consumers. Despite the distant buzz of he mall, they continue for now to rely on the "*kirana*," the mom-and-pop corner store that sells them a little of everything.

This is where Adi Godrej's expertise in micro-retailing comes to the fore: his Godrej Group has been active in consumer products, foodstuffs, and household goods for decades, targeting the hundreds of millions of consumers for whom money comes in a daily trickle. Even though Godrej sees micro credit spreading rapidly and driving up household spending, it will take time to change old habits in India's 500,000 villages. "Many people in rural India get paid on a daily basis," he says. "That means most of these consumers don't have a dollar in their pockets on any given day." The response by Godrej and similar companies targeting the rural and urban poor has been to create micro-packages — enough soap or washing powder, say, for a day's use. "some of our products — cough syrup, for example are sold for the equivalent of one cent," Godrej says. Another retailer who delves into the rural market is Harish Manwani, chairman of consumer products giant Hindustan Unilever. He sees good returns from empowering his sales force — and consumers — through education. "We trained a large number of rural women to take a simple hygiene measure [washing hands] into rural India with our soap. We've got 28,000 people across rural India, impacting on 100 million people in 80,000 to 90,000 villagers," he told a conference on the Indian economy. Manwani says these women have doubled their household income, while boosting Hindustan Unilever's business. It is a familiar refrain among observers of the Indian shopping scene.

As the economy grows and disposable incomes rise — even slightly — consumption picks up, sometimes in unexpected ways. Occasionally, the aspirational spending of rural consumers defies logic. For example, rather than upgrade their basic necessities of food and drink, they might opt instead for a mobile phone, a motor scooter, or a television set.

According to "The next 4 billion," a March 2007 global study by the International Finance Corporation and World Resources Institute, India's bottom-of-the pyramid market, defined as those households with less than US$3,000 a year in local purchasing power, covers more than 900 million people and is worth about US$1.2 trillion a year in purchasing power. Godrej, for one, believes that India's economic success over the next few decades will depend on how well it reaches out to its consumers with suitably priced and packaged products. "If we do that well, there are another three to four billion consumers like that in the rest of the world," he observes. ■

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Employers, take heed!

WHEN the government announced plans earlier this year to reserve a large proportion of seats in colleges for students from other backward castes, there was a furore; it subsided only after the Supreme Court stayed the government order. The social and economic characteristics of other backward castes are not very different from the population average, so the case for discrimination in their favour cannot be based on equity. So, it was not too unreasonable to infer that it was based on the Congress's calculations of electoral advantage.

The same reasoning cannot be applied to scheduled castes and tribes and Muslims, because their economic status is distinctly worse than the population average and the difference could be attributed at least in part to education. But discrimination in favour of Dalits in government jobs is older than discrimination in education, and in fact goes back to the old Madras Presidency before Independence. Once Dalits have obtained education, is there any case for discriminating in job allocation in their favour?

Recent surveys show damning evidence of job discrimination against Dalits, Muslims and tribals. Employers should clean up their act

TRIBHUWAN SHARMA

Two surveys reported in *Economic and Political Weekly* of 13-19 October give an unequivocal answer. Sukhadeo Thorat and Paul Attewell selected advertisements for graduates from five English language dailies and sent in 4,808 (fictitious) applications from persons who claimed to have the right degrees. Each application was sent in three names: a Hindu, a Muslim and a Dalit name. They ran a number of different tests on the likelihood of being called for interview. They found that a Dalit had a two-thirds chance of being called, and a Muslim had only one-third chance as an upper-caste Hindu. An underqualified Hindu candidate had almost 90 per cent as much likelihood of being called for interview as a qualified Dalit, and 60 per cent as much probability as a qualified Hindu; in other words, even if underqualified, he was almost as likely to be called for interview as a qualified Dalit. An overqualified Dalit had roughly 80 per cent chance of being called as a qualified Hindu.

In another study in which Attewell collaborated with S. Madheswaran, a number of tests were applied to data from the National Sample Survey. According to one test, 70-90 per cent of the difference in the wages of Hindu and Dalit employees was due to the fact that more of the latter went into less skilled and lower-paid jobs. But 10-30 per cent was due to discrimination. Surprisingly, 32 per cent of the wage gap between upper and Other Backward Castes was also due to discrimination. Four different tests applied to the same data for 1999-2000 showed Dalit employees to be receiving 12-21 per cent lower wages. They were discriminated against in government as well, but less: against roughly 30-31 per cent lower wages in the private sector, they received 14-18 per cent lower wages in government.

One test, applied to urban data for 1999-2000, permitted the separation of the effects of job discrimination and wage discrimination. A Dalit had a 35 per cent less chance of getting a job; and once he got it, he was likely to get a 21 per cent lower wage.

These results are a wake-up call for employers. They show discrimination based on caste and religion to be serious and widespread. Employers are not only being unjust; they are so biased that they are recruiting many candidates who are not the best available, and are thereby harming their own interests. After this, any claims of employers' organisations that there is no discrimination will not carry weight. Till now we have only a few results. A larger number of studies may yield a greater range of measures of discrimination. But it is unlikely to change their import—that Indian employers favour high-caste Hindus against backward castes, scheduled castes, tribes and Muslims.

These results would be a godsend for the government, which would love to wade in and force reverse job discrimination upon employers. That such action can reach only a handful of employers, primarily the large ones, and may have just a symbolic value, will not deter the government. Employers should act on their own, not so much to ward off official punishment as for the sake of justice.

The action may not necessarily be based on caste or religion; it can be argued that reverse discrimination is not a remedy for unfair employment and payment practices. But job practices have to be made absolutely fair; the earlier employers get down to defining and implementing fair practices, the better. And it will not be enough to assert fairness; equally important will it be to measure fairness indices, enterprise by enterprise, and to publish them. ■

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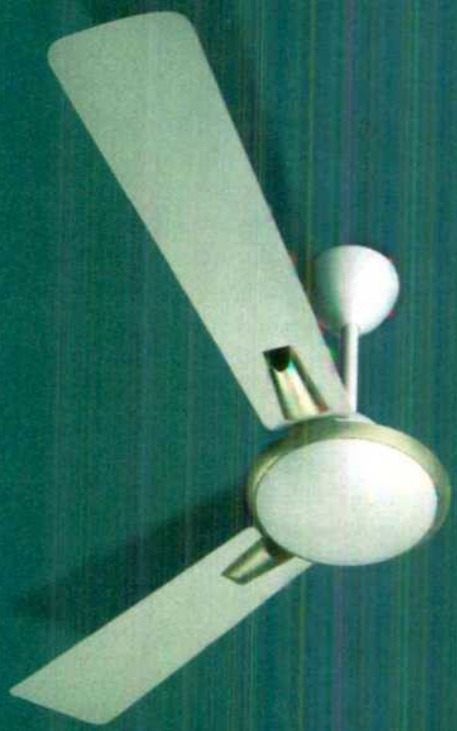

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To be noted

❑ The biased view of the article ('A Wavering Image', *BW*, 3 December 2007) implies that Nasscom is involved in number manipulation and inaccurate data to project strong industry growth. We strongly rebut this. It is shocking that such a statement should be made with no evidence. Allow us to comment on a few other points. Employment figures have been incorrectly quoted. Nasscom has yet to released the FY08 figures. 1,630,000 is the employment figure for FY07. The Indian IT-BPO industry being export-led, Nasscom has been using the US dollar, the standard global currency. Revenue for captive units, actually computed as forex earnings, accounts only for services delivery generated out of Indian units, and not global operations. Nasscom appreciates the freedom of editorial content; however, accusations that we are trying to paint a positive image of the industry and ignoring the challenges faced by the small and medium segment are factually incorrect. This is evident from the public stand Nasscom has taken on multiple issues such as the Union Budget, SEZ policy, rupee appreciation and international trade issues. The Nasscom target of $60 billion in FY 2010 pertains to export only, and not including the domestic market.

Kiran Karnik, *Nasscom*

UNJUSTIFIED GENERALISATION

The article 'West Bengal's Prospects' (*BW*, 26 November 2007) shows the Bengali community in very poor light. Saying "Bengali entrepreneurs lack enterprise", is no different from holding all Gujaratis responsible for the genocide in their state. A large portion of the businessmen in West Bengal are from the Marwari community and a fair chunk of the labour force is from states like Bihar. A little learning is a dangerous thing. One doesn't expect it in *BW*.
C. Krishna, *via e-mail*

CLONES TO COME

More brands are repositioning themselves as 'new' ('Breaking The Mould', *BW*, 3 December 2007). Remaking a brand is more submitting to the short-lived dominant visual culture than riding technological advance. The race to reinvent is hurtling us into a monoculture.
D.K. Mehra, *via e-mail*

CORRIGENDUM

In 'Research Engine' (*BW*, 26 November 2007) the number of patents filed by Biocon was inadvertently omitted. Biocon has filed 812 patents as of 28 November 2007. The error is regretted.

The letters have been edited for brevity.

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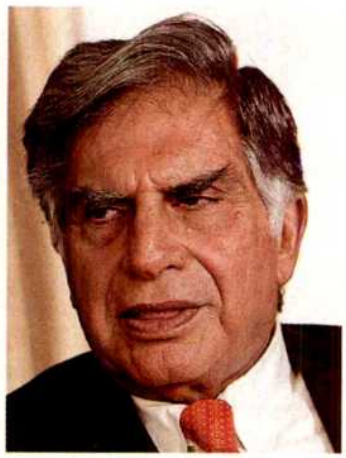

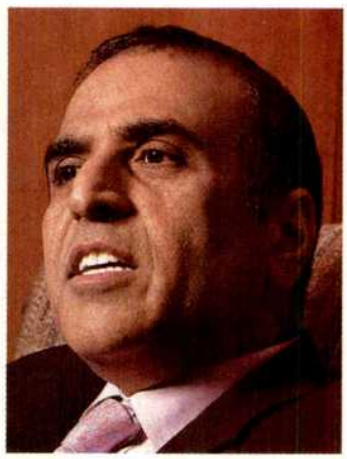

RANGED AGAINST EACH OTHER: (Clockwise from top left) Anil Ambani, Ratan Tata, Sunil Mittal and Arun Sarin

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Cover Design: Jyoti Thapa Mani
Photograph: Getty Images

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BW Online

Building India: The country is seeing a mega boom in infrastructure, says Paran Balakrishnan.

Real Estate Rajahs: Seetha lists the property pashas who figure in the list of the wealthiest Indians.

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A spectrum of issues

WHO wouldn't want to become a telecom operator in India? Spectrum here is among the world's cheapest, equipment prices are at all-time lows, consumers are relatively passive and can't sue you for shoddy service, and industry margins are about 40 per cent with market capitalisation running into billions.

Interestingly, citizens appear unconcerned, perhaps co-opted by the cheap and readily available mobile services that have made telecom one of India's most celebrated success stories. But step back a bit and you'll see an uncomfortable truth. India's open market policies have become the basis of our national enthusiasm for the future. Yet, heavily regulated industries, such as telecom, real estate, infrastructure and power remain the most profitable. That's because regulators that used to choke businesses are now selling India by the pound to the highest bidder. If companies aren't complaining it's because buying regulators is easier than winning customers.

Spectrum, the 'airwaves' needed to run mobile phones, is a naturally occurring national asset. Being limited in supply and valuable in use, it should cost a lot. Just how much is hard to ascertain, hence an open auction would be the best way to price spectrum. The money raised should be used to build communications in rural areas.

Auctions have not yielded good results in the West. But a differently structured approach, similar to the one New Delhi used for FM auctions, could make them viable. Telecom minister A. Raja believes as much and has committed to auctioning 3G spectrum. But clumsy, if not corrupt, moves by earlier ministers and regulators limit the government's ability to auction 2G spectrum. The cost of this bad governance: anywhere between $20 billion and $50 billion! Meanwhile, operators are more focused on fighting about how to carve up the telecom pie than developing the industry.

Issues like these are discussed every year at the India Economic Summit, which is jointly hosted by CII and the World Economic Forum. This year, *BW*, which is committed to engaging with the government, private sector and civil society on national issues, is happy to be the summit's official media partner. In 'Ten Hurdles To 10% Growth', Senior Associate Editor P. Vaidyanathan Iyer raises the curtain on the summit's key focus — the major risks to India's growth.

Jehangir S. Pocha, Editor

SPICEJET

Have wings, can fly

The policy is in limbo, but SpiceJet will fly overseas

TRIBHUVAN SHARMA

AP

NATIONAL carrier Air-India last month contracted low-cost carrier SpiceJet for its Haj operations this season. This deal has given wings to SpiceJet's plans for flying overseas — something that the existing government rules, though they are under review by a hard-to-assemble group of ministers, disallow it.

The loss-making flag-bearer has wet-leased two of SpiceJet's Boeing 737–800 aircraft. SpiceJet will operate daily flights from Lucknow, Varanasi, Jaipur and Nagpur to Jeddah for the national carrier's Haj commitments. Air-India's involvement in the international operations will be limited to in-flight catering and passenger handling on the ground. SpiceJet is the only low-cost carrier ever awarded the tender for Haj; the other five successful bidders are global carriers. During the one-year term of the deal, SpiceJet will operate around 120 flights and carry nearly 20,000 Haj pilgrims. Air-India will pay SpiceJet Rs 1 lakh per hour flown. The contract assures payment to SpiceJet for a minimum of 1,400 hours.

The contract has lifted the veil off the government's double standards on letting domestic private airlines fly overseas. The rules bar SpiceJet from international skies until it completes five years of continuous flying and acquires a fleet size of 20 aircraft. Since so far it has flown for less than three years continuously and owns a fleet of 16 aircraft, it will have to wait for nearly two years to meet the criteria. Yet Air-India is letting SpiceJet fly its passengers to Jeddah under its flight number. Siddhanta Sharma, executive chairman of SpiceJet, says, "This is an acknowledgement of our capabilities to undertake overseas operations."

Arguments put forth in favour of continuing with the restrictions on new domestic airlines — though the policy does not explicitly spell them out — include apprehensions about their financial strength. The fact is that the operating costs for SpiceJet are lower than all but two airlines in the world. That, too, when the bigger Indian carriers such as Jet Airways and Air-India are struggling to battle rising costs and diminishing profit margins. The airlines that do not meet the overseas flying conditions, such as Kingfisher and SpiceJet, want the rules relaxed. They are peeved over losing out to foreign carriers with lean fleets and negligible flying history operating in India such as Thai Nok Air and Australian Jetstar. The government cannot extend the restrictions to them. Jet Airways and its arm Jet Lite (Air Sahara before the acquisition) are the only private carriers that meet the conditions.

Meanwhile, SpiceJet, which operates 96 daily flights in 16 cities, is using the opportunity to gain experience in international operations since on becoming eligible it would want to fly to the Gulf. Says Sharma, "We are not interested in Europe, as our fleet isn't equipped with wide-bodied aircraft (it has only Boeing 737s)." Internationally, too, low-cost carriers such as Air Asia and Tiger have only just begun to experiment with long hauls. "We want to go to the Middle-East and parts of Asia up to the Far East," says Sharma. ■

PUJA MEHRA

"I suspect that private equity's current image amongst many people has been coloured by myths and fears that have more to do with anxiety about changes in the global economy and their lives than with private equity itself."

— Stephen Schwarzman, chief executive of the Blackstone Group

BLOOMBERG

Carrefour's leap of faith

CARREFOUR is through with waiting for the rules on foreign investment in retail to change and has accepted the compromise of using a local franchisee to plant its flag in India. But that is the easy part. It is yet to find an Indian ally who it can trust with its trade secrets and brand, and build a sourcing network. "It is a very simple scheme, but somehow it took long for us to arrive at that conclusion," says Herve Clech, the managing director of the two companies that will handle the wholesale trade and franchising of retail stores — Carrefour WC&C India and Carrefour India Master Franchise Company.

Clech is also apologetic for having disappointed a lot of Indian companies — about 50 — that it engaged in talks for forming a joint venture. "We cannot disclose any names now," says Clech. "But when Mr Jose Luis Duran (Carrefour CEO) mentioned (negotiations with) three potential partners, he was speaking the truth though it looks like a trick."

The timing of the decision to start in India was decided by the fear of getting left behind. "If we do not take a position in India now, it will be too late," he says.

Carrefour is looking for a franchisee who can bring to the table political influence, ability to develop land, have retailing sensibilities or ambitions, and a big enough brand to attract talent. "We need all of that," says Gerard Freiszmuth, who has done the groundwork for Carrefour's entry in India over the past two years. However, according to Rajeev Karwal, CEO of Milagrow, a retail consultant, taking the franchise route is not the ideal way for a big-format retailer. "You have to transfer your entire intellectual capital to the franchisee (without having any control)," he says. "This makes scaling up difficult."

The way around the problem could be locking the franchisee in a contract that would allow Carrefour to take control of the retail business once FDI is allowed. The carrot for the franchisee could be an offering to make him a partner in that situation.

Carrefour will take about a year to start stores, but it needs to figure out a way to practise low prices without provoking backlash from local traders and avoid the fate of Reliance Fresh. Clech concedes it is a struggle to work out a price that pleases consumers and avoids riling the trade. "If we could adjust to whichever is the cheapest in an area, but not by much, that would be a good target," he says. Carrefour is not lobbying for big-format groceries or FDI in retail, Clech insists. Still, he expects the retail scene to change as politicians will eventually follow consumers. ■

FEROZ AHMED

BLOOMBERG

BLOOMBERG

IT'S JUST THE BEGINNING: Carrefour needs to figure out a way to practise low prices without provoking backlash from established local traders

289 mn Number of mobile phones sold to end users worldwide in the third quarter of 2007, a 15 per cent increase from the same period last year, according to Gartner.

PRIVATE EQUITY

Time to take flight?

A PRIVATE equity confidence survey on the Indian market by Deloitte that was released this week points out that private equity firms in India expect a surge in exits in the next six months. And most of these exits are expected through initial public offerings (IPOs) in the Indian markets (see 'Most Common Exits For PE'). Some respondents have said that the IPO route is attractive as it offers access to international institutional investors and cuts out the bother of listing in overseas markets. Considering the volatility of the stockmarkets in recent weeks, if the Sensex nosedives, PE firms will be under pressure as far as returns are concerned, or they may prefer to hold out for a longer period. In any case, 52 per cent of the 37 respondents from the PE industry covered in this survey expect returns to drop in the next six months as valuations and competition are both high and the "low-hanging fruit" has already been discovered. ■

PIYA SINGH

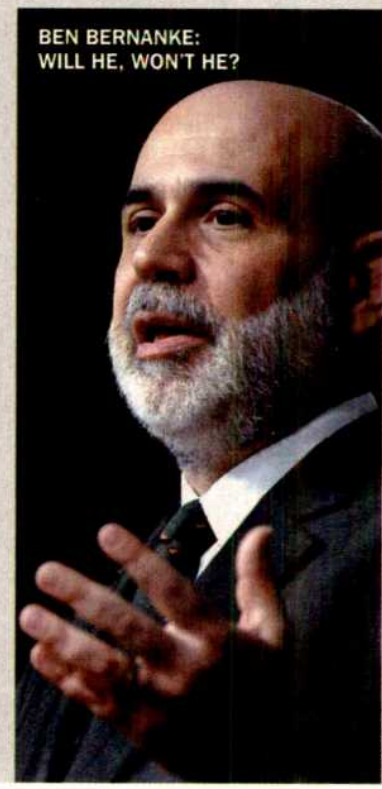
SOURCE: DELOITTE

US FED

Rate expectations

IS there going to be another US Federal Reserve interest rate cut on 12 December? Fed watchers say yes, pointing to Fed Vice-Chairman Donald Kohn's dovish speech on 28 November as an indicator of deep rate cuts. Kohn said that credit market "turbulence" could "increase the possibility of further tightening in financial conditions for households and businesses".

That same afternoon, the latest Beige Book (named for its cover) — a summary of current economic conditions based on surveys compiled by the 12 district Federal Reserve Banks — underlined "retail spending softening in the holiday season", housing and declining construction activity, slowdowns in job growth and commercial real estate; all signs of a slowdown of the US economy permeate the Beige Book. This is not the only report that members of the Federal Open Markets Committee (FOMC) read. Two other 'books' are produced, though not for public consumption: the Green Book, prepared by the Fed



BEN BERNANKE: WILL HE, WON'T HE?

BLOOMBERG

economists on current and future, domestic and international economic conditions and the Blue Book, the most sensitive and secret of the three, written by Fed staff; it offers a set of policy alternatives and their likely consequences. The first is available two weeks before the FOMC meets, the second on the Thursday before the meeting, and the Blue Book is hand-delivered on Friday the weekend before the meeting.

The presidents of the Federal Reserve Banks are not sure an easing will help, and are worried about the inflationary impact of a rate cut; two of them, Philadelphia and Chicago, have voiced these concerns publicly. Fed Chairman Ben Bernanke was scheduled to speak in South Carolina a few hours after *BW* went to press. On Wall Street, there may be more buying on rumour, and selling on news. ■

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Event format: Day Golf – 18 holes

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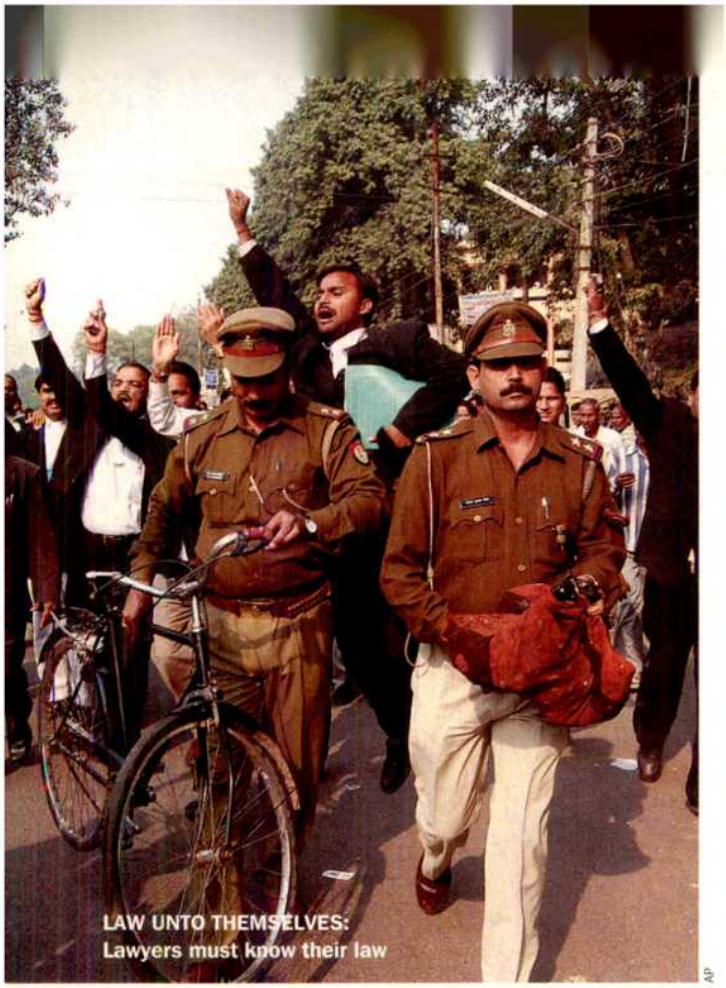


LAW UNTO THEMSELVES: Lawyers must know their law

AP

UP BLASTS

Terror tactics

THE theory that the recent bomb blasts in courts in Uttar Pradesh are retaliatory strikes by terrorists against lawyers shows how a part of our society is unwittingly getting caught in the game terrorists play. Lawyers of the district court in Lucknow assaulted three men accused of plotting to abduct Congress general secretary Rahul Gandhi. In Faizabad, where the case of the attack on the Ram Janmabhoomi in 2005 is being heard, the court had to appoint an officer to defend the five accused because no lawyer agreed to do the job. In Varanasi too, the bar council resolved not to defend Waliullah, the prime accused in the 2006 Sankat Mochan terror attack.

Law recognises no presumption. Every accused has a right to fair trial, and every accused is only an accused until found guilty by trial. This distinction is not too fine to be lost on lawyers who refused to defend the terror accused. If lawyers take a collective decision to not defend a certain kind of accused, it puts them at a remove not only from civil society but also from what they are supposed to practise and uphold: the law. And if they also try to punish the accused, they come within an uncomfortable ideological proximity to terrorists. A thin but clear line separates those who favour from those who oppose terror. The line must not blur. ■

BW BUREAU

HYDROGEN

Wonder fuel or hoax?

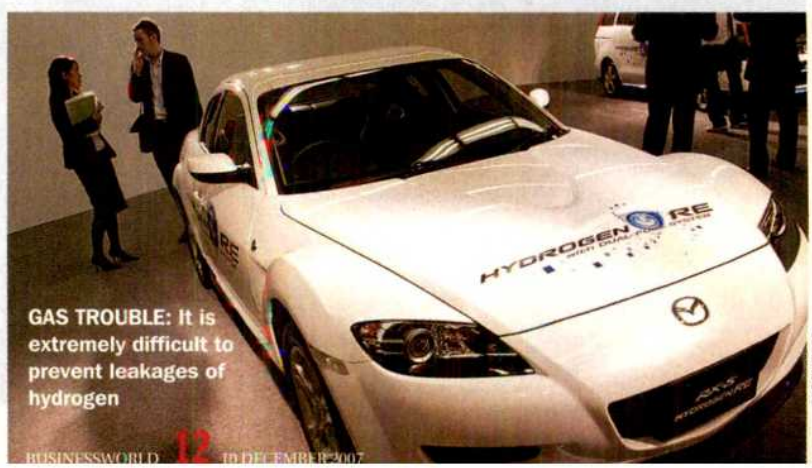
THE recent announcement of Tata Motors tying up with Indian Space Research Organisation to manufacture hydrogen-run vehicles has brought back into focus the debate on the hydrogen economy.

Some call it a hoax while others think it is a solution to our pollution problems. About four years ago, the US government placed a huge bet on it by providing funds for research, and terming it as a move to a 'hydrogen economy'.

The sole attraction of hydrogen-run vehicles is at the front end where you drive them — there will be no emission of noxious fumes; only water vapour will be released.

But there are problems galore at the back end — making hydrogen, transporting it to fuel stations and storing it in your vehicle to run it. Since hydrogen is not a primary fuel, it has to be extracted from other hydrocarbons found in existing conventional fuels or from water. "Water is fine, but if you make hydrogen out of conventional hydrocarbons, the reduction in greenhouse gas emissions will not be much," says Anumita Roychoudhury, head of the Right to Clean Air Campaign at Delhi-based Centre for Science and Environment. Around 95 per cent of all hydrogen made by carmakers and laboratories to run vehicles has come from hydrocarbons. Use of hydrogen in transportation is not an open-and-shut case yet. ■

RAJESH GAJRA



GAS TROUBLE: It is extremely difficult to prevent leakages of hydrogen

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MEDIA ROOM

SANJAY SAKARIA

PREAM SINGH

HOW'S THAT CRICKET? In answer to Subhash Chandra's (left) Indian Cricket League, BCCI's Lalit Modi has launched T-20 Indian Premier League

IT was the winter of 2004 when Zee was fighting BCCI and ESPN Star Sports for cricket telecast rights in the Bombay High Court. On a crucial day of the arguments, Subhash Chandra landed up and stood in the hot courtroom amidst the crush of bodies all day. He was back again the next day, and the next.

Zee was justified in getting the rights. It had bid the highest at $308 million but Jagmohan Dalmiya was determined to not give it to Zee. The matter remained undecided and the battle shifted to the Supreme Court.

Those who have covered Zee's tragic history in cricket know that telecasting cricket has moved from necessity to obsession with Chandra. Necessity, because cricket generates Rs 2,000 crore of ads a year. Obsession, because history has not been fair to him.

In 2000, when the ICC World Cup rights were on the block, Chandra's Zee Telefilms bid an audacious $600 million for the world rights. It was the highest ever bid for a cricket property but the ICC awarded the 2000-2007 rights to Global Cricket Corporation for $550 million.

Chandra saw BCCI president Jagmohan Dalmiya as the villain of the piece, and played a primary role in having him defeated by Sharad Pawar. So when he bid for BCCI's rights for 2006-10, Chandra thought it would be a walkover. But Zee was outwitted yet again by former partner Harish Thawani of Nimbus Sports, who pitched $612 million.

Chandra's answer is the Indian Cricket League (ICL) in competition with the BCCI. His old friend Lalit Modi, the present vice-president of BCCI, responded by launching T-20 Indian Premier League (IPL). As the custodian of official cricket, BCCI seems to be on winning ground. As ICL launches its first round of matches at Chandigarh this week, people are asking: Does Chandra have the stomach for a long haul?

Newspapers are full of stories about BCCI hitting at Zee by getting advertisers to withdraw support. Axis Bank and Bisleri are believed to have backed out. But as Chandra's sports channel head Himanshu Mody points out, BCCI can't bully advertisers. They are watching from the sidelines to see if Zee's cricket product works.

It's not smooth-sailing for Chandra, but a couple of ads pulled out is hardly going to deter the man from his mission to get cricket on his network. ■

GURBIR SINGH

iPHONE

Apple learns to talk

APPLE Inc. is learning to live in a more consumer-friendly world outside the US. In Europe, it is finding it hard to replicate its American model of tying the use of its much-hyped touch-screen mobile phone exclusively to a particular phone service. That should come as a comfort to those looking forward to using an un-hacked iPhone in India.

Apple's exclusive licencee in Germany, T-Mobile, has started offering unlocked iPhone after a court ruled that it could not insist on selling iPhone with its service with a lock-in of 24 months. Locking a consumer in long-term subscription and tying a handset exclusively with a telecom company are accepted trade practices in Apple's home market, the US. Vodafone had gone to the court seeking a level playing field for all service providers with respect to use of the popular iPhone. France too disallows sale of locked phones. Apple is also going to learn to not try and take a share of service providers' revenues from use of iPhone. China Mobile wants to offer iPhone but without sharing revenues with Apple. In India, too, it is extremely unlikely a telecom firm will allow Apple to dictate terms. In any case, hacked iPhones are available in India for about Rs 22,000 and can be used with any service provider. ■

FEROZ AHMED

RELIANCE POWER

Paving the way for an IPO

THE Anil Dhirubhai Ambani Group-owned Reliance Power has withdrawn one of the exemptions it had sought from market watchdog Sebi for floating an initial public offering (IPO). Reliance Power's application has been pending with Sebi since early October, amid allegations of corporate misgovernance. A controversial public interest litigation (PIL) has alleged that the IPO in its original form would dilute benefits to small investors in Reliance Energy, which is a part owner of Reliance Power (see 'Electric Storm', *BW*, 19 November 2007).

TRIBHUVAN SHARMA

BIG GAME: Reliance Power's IPO is being touted as India's largest ever

One of the irritants in the original IPO was that the ADA group had, in its applications, sought an exemption from a Sebi technicality that says that any stock with a face value of Rs 2 must have an issue price of Rs 500 or more. Though the minimum price of Reliance Power works out to around Rs 47 per share, the group had sought a Rs 2 face value. An ADA group spokesperson had explained to *BW* that the split was merely done to make the stock more attractive to retail investors.

"Psychologically, retail investors often get scared of big numbers, so if the Rs 10 stock could be issued for Rs 100, we thought it would be better to offer them a Rs 2 stock at Rs 20," the spokesperson had said. But now, the group has sought Sebi's nod to float Reliance Power's IPO at a face value of Rs 10 a share instead of Rs 2, in a bid to get a quick go-ahead from Sebi for hitting the market with the Rs 8,000-crore issue, which is being touted as India's largest ever. The group wrote to Sebi earlier last week, seeking permission in this regard.

At a face value of Rs 10, the minimum price works out to Rs 235 a share against Rs 47 per share. When approached, the ADA group spokesperson declined to comment. ■

PUJA MEHRA

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Soktas: Strong fabric

C.P. SHANMUGHAM

THREADS THAT BIND: Indian market has attractive margins

EVEN as Indian textile companies are fretting over the hardening rupee, overseas players are playing on the country's growth story. Fresh from a $20.75-million funding from International Finance Corporation (IFC), a member of the World Bank group, Soktas India, a subsidiary of Turkish textile maker Soktas, is setting up a greenfield yarn-dyed shirting fabric unit at Kolhapur, Maharashtra.

The 14-million-metre-a-year unit will produce fabric for India and the South-East Asian markets. IFC has typically offered debt-cum-equity packages for companies that it has invested in and the Soktas deal is no exception. Of the $20.75 million, $2.5 million would be in equity (for a stake of little less than 10 per cent) and the remaining would be long-term loans. The unit would tap the growing market for fabric in India, where margins are at least 5-10 per cent higher.

The total package of $45.8 million for Indian and Turkish units includes long-term loans. "Apart from services sector companies, manufacturers from other emerging markets are investing increasingly in projects in India," says Paolo M. Martelli, IFC's regional director for South Asia. "The loan will enhance our ability to serve clients better," says Muharrem Kayhan, vice-chairman of Soktas. Soktas is a major player with marque names such as Armani, Hugo Boss, GAP and Marks & Spencer as its clients. It produces 15 million metres of fabric per annum in Soke, Western Turkey. The package will help Soktas and its subsidiary Soktas India upgrade capital equipment and shift to higher value-added products. ■

M. ALLIRAJAN

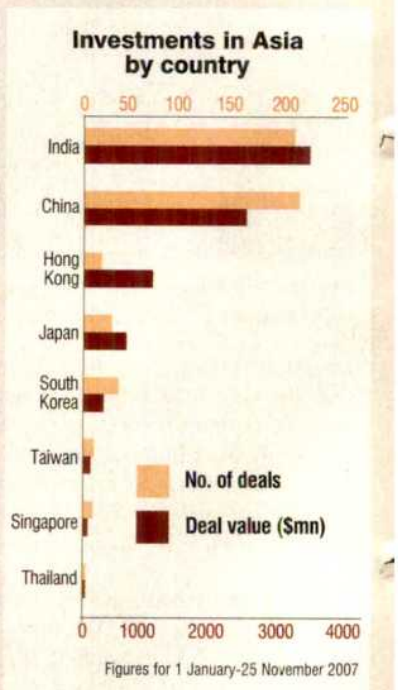
BW-Thomson Financial PE Tracker

November The Asian PE market saw 535 deals worth $7.869 billion as on 25 November. India was the largest market with 184 deals worth $3.393 billion.

Top Asia PE deals

TARGET	TARGET NATION	INVESTOR	INVESTOR NATION	DEAL SIZE ($ mn)
Top One Car Rental	China	Undisclosed Investor China	China	50
		Qiming Venture Partners	China	
Youku.com	China	SIG Asia Investments, LLLP (SAI)	China	25
		Sutter Hill Ventures	United States	
		Undisclosed Investor	United States	
		Chengwei Ventures	China	
		Brookside International Incorporated	United States	
Shanghai Tonva Petrochemical	China	CLSA Capital Partners (AKA: Credit Lyonnais Securities Asia)	Hong Kong	25
Qunar.com Information Tech.	China	Mayfield Fund	United States	10
Beijing Semboo Science & Tech.	China	Orchid Asia Group Management, Ltd.	Hong Kong	8
Comat Technologies	India	Avigo Capital Partners	India	5
Ticketvala.com	India	Footprint Ventures	India	2

Figures for 1 January-25 November 2007



Figures for 1 January-25 November 2007

Eye on future

THE craze for Indian assets is now driving banks and venture capital funds to buy into Indian stockbroking firms. It started a year ago with French bank BNP Paribas raising a toast after it acquired 34.35 per cent in Geojit Financial Services for Rs 207 crore. Geojit had pioneered retail broking in India, and serves over a crore retail investors.

Last week, ICICI Venture, one of the successful home-grown private equity funds along with Baring Private Equity Asia, bought 32 per cent in Karvy Stock Broking for Rs 500 crore. Besides stock and commodity broking, the Hyderabad-based Karvy group also sells insurance policies. Karvy Registry acts as a registrar and transfer agent for many companies and mutual funds. The deal also reflects the steep rise in Karvy's value: it has more than tripled to Rs 1,500 crore in two years from Rs 415 crore, when Hong Kong's Pacific Century Group bought a 20 per cent stake in the broking firm for Rs 83 crore.

While the French bank's investment in Geojit may be for the long haul, private equity investors' interest is generally short term; they will most likely cash out through a public offer after a year or two. The success of financial services firm Edelweiss Capital's IPO is hard to ignore. Edelweiss, which started its India operations over a decade ago, offered shares to the public at Rs 825 a share and notched a valuation of close to a billion dollars.

The private equity investors' rationale behind the Karvy deal is that more retail investors will gain confidence and start participating in India's growth story by taking to equities. Roughly, Indians spend just Rs 16,000 crore a year in buying stocks, and private equity investors think there is huge scope for growth in the Indian equities market.

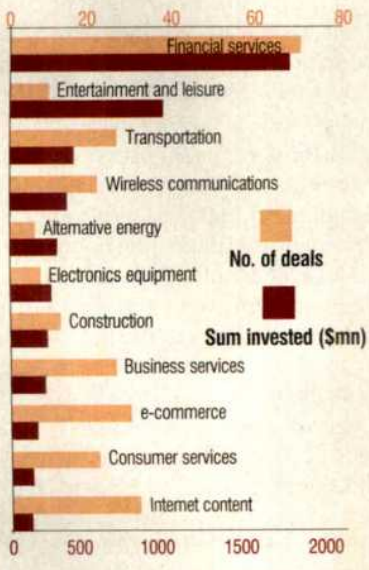
Banks such as BNP Paribas believe that once the rupee becomes fully convertible, foreign banks can directly buy Indian shares of companies for their clients at home and thus open a new business avenue. ■

BAIJU KALESH

SANJIT KUNDU

STOCK SITUATION: Indian equity market has potential

Investments in Asia by sector



Figures for 1 January-25 November 2007

Top India deals

TARGET	TARGET NATION	INVESTOR	INVESTOR NATION	DEAL SIZE ($ mn)
RG Stone Urological Research Institute	India	ICICI Venture Funds Management	India	10
Ticketvala.com	India	Footprint Ventures	India	2
Comat Technologies	India	Avigo Capital Partners	India	5
Karvy Stock Broking	India	BPEP International ICICI Venture Funds Management	United Kingdom India	NA
Central Securities Depository Services	India	Croupier Prive Private Equity Partners	United States	NA
Venture Infotek	India	Kubera Partners	United States	NA
Webchutney Studio	India	Capital18	India	NA
State Industrial Corporation of Maharashtra	India	J.C. Flowers & Co	United States	NA

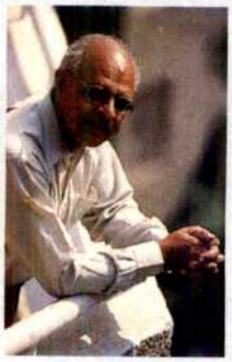
Figures for 1 January-25 November 2007

Note: Sum invested is actual money taken down or disbursed to portfolio companies. PE deals are classified as investments where the investor is a PE firm. The above tables do not include investments made by angel investors, hedge funds, trusts and corporate investors. Such investors are taken into account only when they have invested alongside PE firms.

Log on to www.businessworld.in for the complete list of deals

comment

by ashok v. desai



Deregulating local transport

THE world's first underground railway was built in London. Its chief form of public transport then was the hackney carriage. But as people got rich, more and more of them acquired private carriages. The horses required huge quantities of fodder to be brought into the city every day. They shat so much that streets had to be cleaned all day. The city tried to increase road capacity by introducing trams, which initially were pulled by horses. But trams occupied street space, and there was none to spare. So London built the first local railway. There was no space in the overcrowded streets. So it was buried underground. The trains were hauled by steam locomotives belching smoke in the tunnels. They polluted the air in underground stations. Still, riding a train was better than walking on horse-infested streets.

Calcutta was the pioneer of high-capacity road transport in India; trams came to Calcutta over a century ago. It pioneered modern urban railway too; it is a quarter century since the first underground local train ran in Calcutta. These costly innovations were introduced to increase road capacity and relieve congestion; but any difference they may have made ceased to be noticeable after a few years.

More recently, Delhi has built a superb local train service. The trains are frequent and comfortable. They are the envy of other cities; now Bangalore and Madras are clamouring for local trains. Delhi has also built a record number of overbridges at road junctions. Of the 12 directions in which traffic can move at a crossroads, it can move in any six directions simultaneously. If an overbridge is built, it can move in ten directions. So if traffic in all directions is the same, an overbridge will increase the proportion of traffic that can move simultaneously from a half to five-sixths — an increase of two-thirds. A clover junction allows all traffic to move at all times; but cities seldom have space to build clover junctions.

So it is not surprising that despite the trains and overbridges, traffic in Delhi is worse than ever; traffic jams, till recently unheard of, are emerging at many junctions. The central government is rich. So it will build even more railways and bridges in Delhi. But additions to traffic occupy road capacity; increasing capacity or diverting traffic at selected points does not prevent traffic jams at points not so served.

A major contributor to congestion is motor cycles. They can squeeze through between cars and thus go faster than four-wheelers; they can also run between any two points, whereas a bus rider may have to wait for and change buses a number of times. And Indian buses are a pain to get into. Designed in the 1950s, they are so high that only mountain climbers would welcome boarding them. They get so crowded that pickpockets often find it impossible to move their hands for the job. And when they have put their hand in some pocket, passengers are often too immobilized to stop them.

Now Delhi has got high-capacity buses. It has got wide enough roads to give them dedicated corridors; but they still clash with other traffic at junctions. And if their frequency is not high enough, they actually reduce road capacity. It is therefore unlikely that any other Indian city will adopt them; even Delhi may take them off the roads.

What is to be done then? Buses can run only between fixed points. Ideally, however, vehicles for hire should be running from every point to every other point; and there should be so many of them that no one should have to stand for or in one. So, for example, motor cycles are a good solution. So would be auto rickshaws if they could be made faster and safer. But the larger the vehicle, the more closely it can pack passengers. Just what size will be optimal cannot be worked out and, it will not be invariant in all traffic conditions. So the best thing to do is to remove all official restrictions on the size or shape and number of vehicles for hire. What is needed is complete deregulation of public transport; competition is the best regulation. ■

Passengers will be best served if all public restrictions and regulations on urban road transport are removed and all vehicles allowed to run for hire

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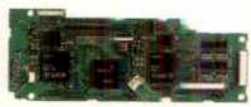

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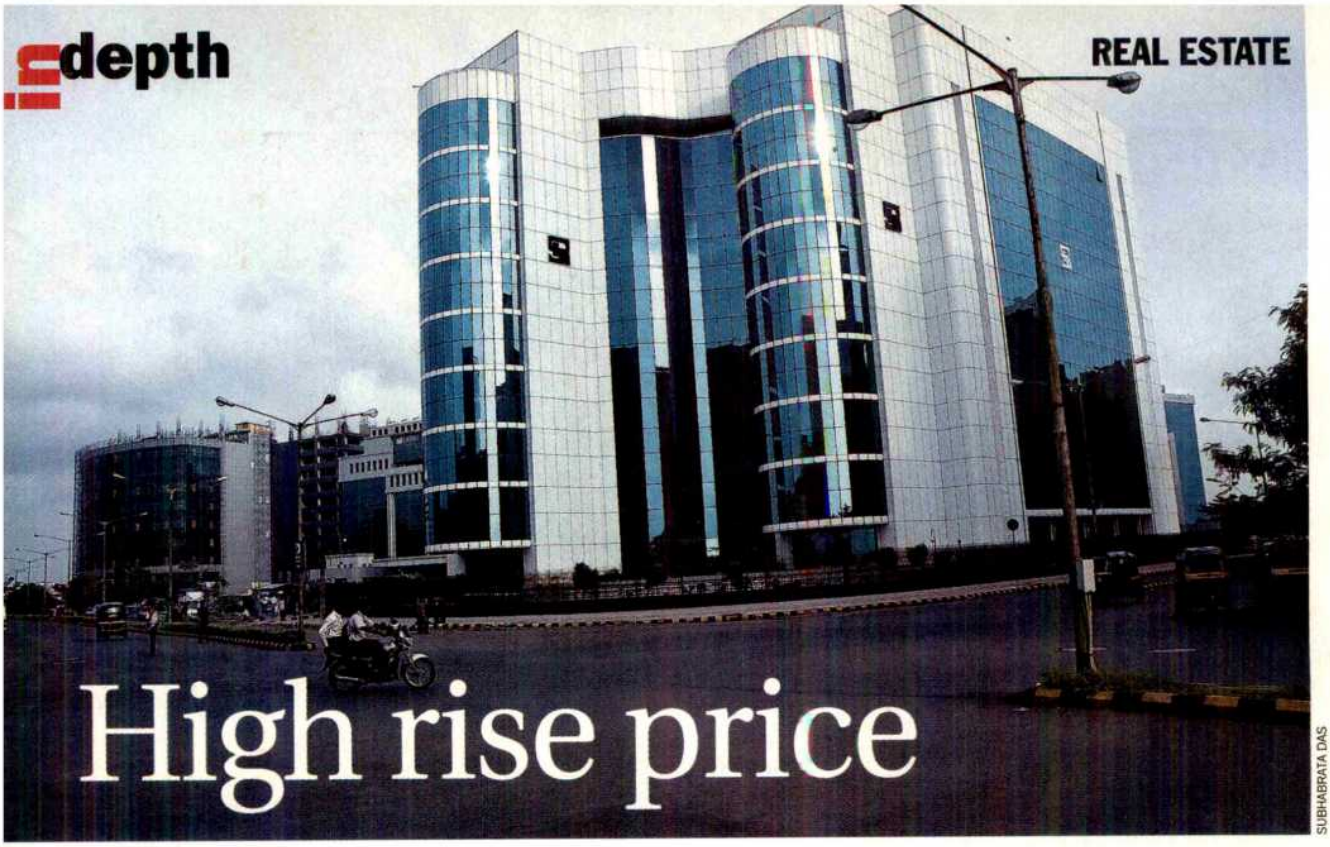


SUBHABRATA DAS

High rise price

GURBIR SINGH

TWO separate auctions rocked the Indian realty market this week. While three plots in the Bandra-Kurla Complex (BKC) attracted record-making bids, an auction conducted by the Bombay High Court of PAL-Peugeot land in the distant suburb of Kalyan-Dombivili, was called off. Different stories, different locations, but scenes from the same drama.

The who's who of the construction industry competed for the prime BKC plots. The largest of them, a 30,550 square metres (approximately 7 acres) plot, earmarked for a multi-storey parking and a commercial complex was bagged by Reliance Industries (RIL) for Rs 918 crore (Rs 28,000 a sq. ft). The other two — a 28,300 sq. m plot and one of 16,500 sq. m were picked up by the TCG Infrastructure-Hiranandanis combine for Rs 1,041 crore (Rs 34,300 a sq. ft) and Wadhwa Developers at Rs 831 crore (Rs 47,100 a sq. ft), respectively.

With BKC surpassing Nariman Point and emerging as the most important business district in the country, prices in the complex have galloped faster than the national average for commercial property. In January 2006, TCG Infrastructure had bagged a 3,000 sq. m plot at Rs 14,300 a sq. ft. Today, the neighbouring plot successfully bid for by Wadhwa has fetched more than three times the rate. Similarly, Reliance Industries created waves in February last year when it bagged an 18-acre BKC plot for Rs 1,014 crore for a convention centre (Rs 18,000 a sq. ft). In this round, the Mumbai Metropolitan Region Development Authority, which administers the BKC, fixed its base price of Rs 1,000 crore for the three plots on a rate commanded by the Reliance convention centre plot and has ended up collecting Rs 2,790 crore.

At these rates, the builders committing such huge investments should be rattled. But the confidence of cashing out at levels of Rs 65,000-70,000 per sq. ft two years hence keeps them cheery. Vijay Wadhwa, chief promoter of the Wadhwa Group, says he has already booked orders at those rates. "There are hundreds of banks and business groups streaming in from overseas who want quality 'A' grade office space and can't get it," says Wadhwa. "ICICI bank has already rung me up for 100,000 sq. ft." How long will this price spiral continue? "Till there is demand, we will get the clients."

A day after the BKC bids opened, 178 acres of the now shut PAL-Peugeot plant came up for auction. Bidding was expected around Rs 700 crore, but the auction had to be put off after the Bombay High Court revealed that the property was encumbered with Rs 364 crore in liabilities, including workers' dues and unsecured creditors.

Low availability of and high demand for 'clean' properties send prices soaring

A nightmare for big property investors. Well-located properties with clear titles, especially in the metros, are hard to come by. In the case of the PAL-Peugeot property, the liabilities were revealed in time. In many cases, foreign investors have lost millions by acquiring 'unclean' properties. No surprises, therefore, that when closed textile mills or a BKC plot go under the hammer, the competition is severe. Short supply translates into spiralling prices.

"I have a long queue of foreign investors who find it difficult to locate properties that pass rigorous international norms," says Pranay Vakil, chairman of Knight Frank Property Services.

Given the tangle of property disputes and archaic and complicated property laws, it is unlikely that the situation will improve in the near future. ■

International WATERS

Ramesh Chauhan is set to test the business of water, internationally, with Bisleri's overseas relaunch

MEGHANA BIWALKAR

PARLE'S Ramesh Chauhan continues to take on the multinationals. This time, he is carrying the fight to their territory by launching Bisleri — his venture into bottled water which he acquired in 1967 from the Italian company Felice Bisleri — in overseas markets. Bisleri will face competition from Pepsi's Aquafina, Coca Cola's Dasani (in India, it is sold as Kinley) and Nestle's PureLife.

Early this year, it was reported that France's Danone, Coca-Cola and Wipro's consumer goods business were in talks to buy the Rs 1,100-crore Bisleri brand, which has a domestic market share of around 60 per cent. Chauhan denied any such discussions.

However, this is not the first time that Bisleri has planned to go international; it made an attempt in 2003. Then, the company was planning to manufacture in France and sell in markets like the US. "We weren't sure if this would work," says Chauhan. "We were uncertain if anyone would want to buy water from India that was packaged in France. We didn't have a unique selling idea."

Post a re-branding exercise — changes in the packaging and the introduction of a variant of spring water in October 2006 — Parle's international relaunch will be in early 2008. Chauhan is exploring markets such as Japan, the Middle-East, Europe and the US, with test marketing in the Japanese market by the end of the year.

This time round the company's strategy is to leverage the cachet of the Himalayas. The operations at the Rudrapur plant in Uttaranchal began early this year. "This is our jackpot," says Chauhan. "The plant is located where the water comes directly from the ground — water straight from the Himalayas." The Uttaranchal plant has a production capacity of 1 million cases per year, which can go up to 4 million cases.

Bisleri is creating new packaging as a differentiator in international markets. It is finalising the design of a hexagon-shaped bottle in two sizes: one litre and half litre. The company is also being careful with pricing strategy, not competing with premium brands such as Evian, but charging more than local brands.

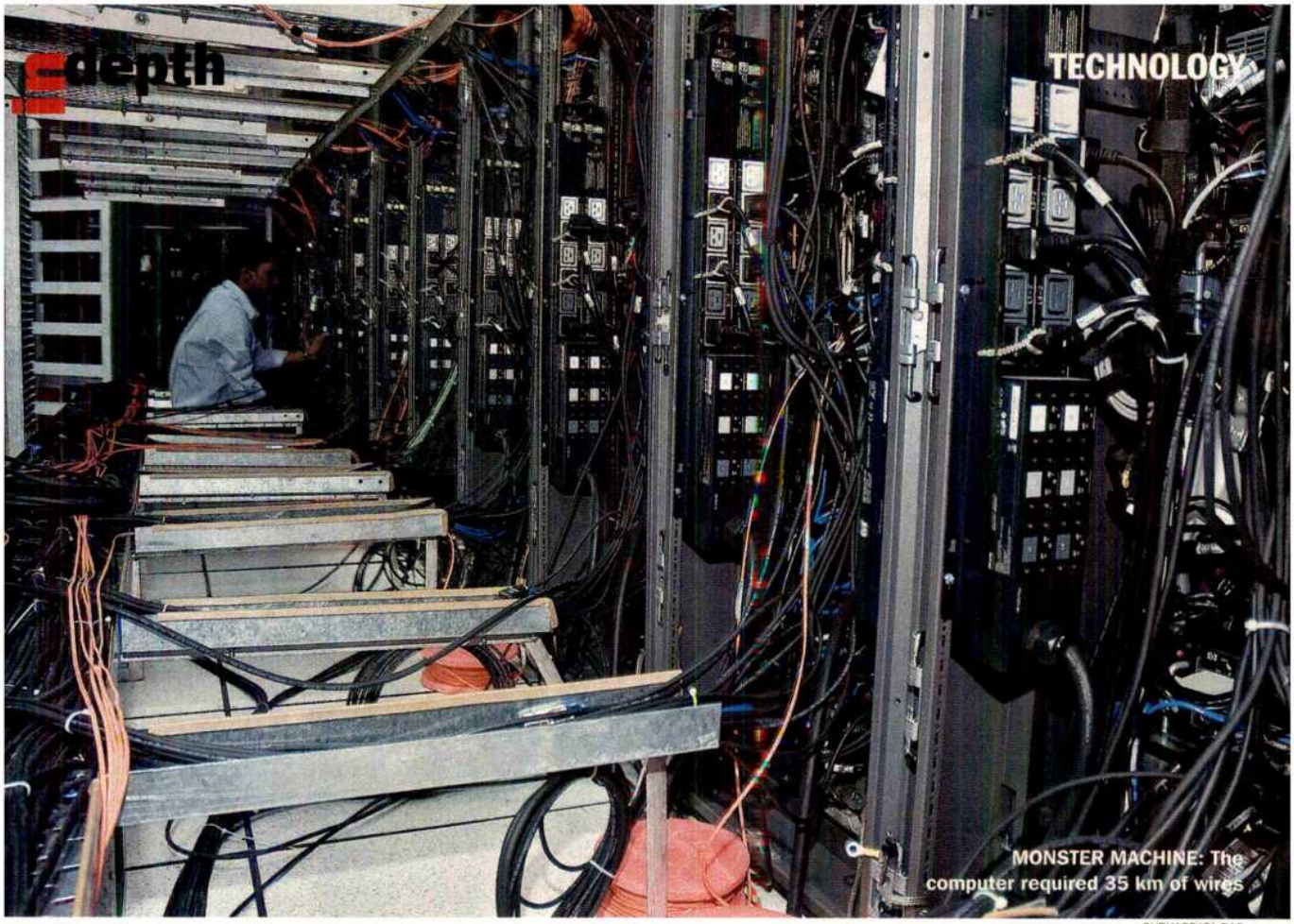
Chauhan is also focusing on strengthening its position in the domestic market, where its competition includes Tatas' Himalayan brand. The plans are to launch 12 fruit flavours by March 2008, with variants such as *nimbu pani* (lemon water), strawberry and orange.

Competitors such as Aquafina and Kinley are watching. "It is early and we are evaluating the enhanced waters space," says Homi Battiwalla, vice-president of emerging categories, PepsiCo India. "However, we envisage packaging variants to play a major role as consumers get discerning about usage options."

Chauhan has ambitious investment plans for Bisleri: Rs 220 crore in its new variant, manufacturing plants and distribution. Of the total investment, Rs 100 crore will be in the natural mountain water business — Rs 40 crore for two plants in Uttaranchal and Himachal Pradesh, and Rs 60 crore for infrastructure development.

Bisleri's ambitious makeover, coupled with taking on global competition, could pose twin risks. "According to Technopak's India Consumer Trends 2006-07, 15 per cent of the consumer's share of wallet goes towards eating out and ordering in," points out Asitava Sen, vice-president of retail and consumer goods at Technopak Advisors, a marketing consultancy. "This shall be the key driver for growth in sales of bottled water." We will have to see if Chauhan's second attempt fares better than his first. ■

Photograph: AMIT VERMA; Illustration: MADHUMANGAL SINGH



MONSTER MACHINE: The computer required 35 km of wires

SUBHABRATA DAS

The making of a SUPERCOMPUTER

The agony and the ecstasy of the Tata team that created the fastest computer in Asia

DINESH NARAYANAN AND BAIJU KALESH

IT is not really known whether Ratan Tata likes to be disturbed when he is off work. Holidays are meant to recharge a tired mind. But Tata probably didn't mind when a team of scientists from Pune-based Computational Research Laboratories (CRL) interrupted his vacation a few months ago.

The scientists wanted to build a supercomputer. They seemed to have the scientific experience and persuasive business logic. But most supercomputers in the world were government-funded and this was to be the first privately funded and built supercomputer.

RNT, as he is referred to within the group, was thrilled enough to discuss the idea for an hour and ask the team to prepare a detailed business plan with the Tata Strategic Management Group (TSMG), the group's advisory and management consultant arm.

The plan was presented to the Tata Sons board of directors where Tata himself answered all questions on behalf of the new team. The board gave CRL, a wholly owned subsidiary of Tata Consultancy Services (TCS), the go-ahead, not knowing that the bill would be $30 million (Rs 120 crore).

The idea of building this monster machine first formed in the IIT-trained minds of Narendra Karmarkar and Sunil D. Sherlekar. They took it to TCS Chief Executive and CRL Chairman S. Ramadorai, who was immediately interested. "We had aimed to build a 16 teraflop machine, but told the team very clearly that there should be increments," says Ramadorai, who later fixed up the crucial meeting with Tata. "And it should use standard architecture and components. We did not want to reinvent the wheel."

The first prototype was made in August and Tata Sons green-flagged the EKA — number one in Sanskrit — project in September, which meant the 10-member team had six weeks to make it to SC07, this year's edition of an annual event that is to geeks what the Frankfurt auto show is to automobile fans.

CRL's EKA was ranked fourth in the Top 500 Supercomputer list announced at SC07, the international conference

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for high performance computing, networking, storage and analysis at Reno, Nevada, US. At a sustained pace of 120 teraflops, EKA was the fastest machine in Asia. (One teraflop means a computer can perform one trillion floating point operations per second. In other words, EKA can complete in 36 hours a simulation that would take 500 days on a personal computer.)

Building The Best

Even before CRL actually began building the supercomputer, it had its first setback: Karmarkar quit over a difference of opinion. But a team led by Seeta Rama Krishna of TCS took over the challenge of putting together the machine in record time.

"The first challenge was of physical space (they had 4,000 sq. ft)," says Rama Krishna. "But for that constraint, we may not have thought of the innovative architecture." The hardware is set in concentric circles, reducing the distance between the nodes, packing equipment densely and increasing data speed by reducing the length of the cables. The outermost circle has data storage, the middle one houses the network and the centre does the computing. It has 1,794 'blades' with dual quad-core Intel processors, a total memory of 28 terabytes, and storage of 80 terabytes.

Cables were another problem. Supercomputers used copper wiring in their 'brains' but could carry data only up to 7-10 metres (m), with a failure rate of 20-30 per cent, something CRL could not afford. Rama Krishna wanted wires that would transmit at 20 gigabits over 20 m, the maximum distance between the network and the computing centre.

He knew Intel's lab had developed an experimental fibre optic cable that was capable of carrying data over such distances. But Intel was unwilling to let him use those because it was still too early to trust the technology; if it failed, Intel's reputation would suffer. With some help from Ramadorai, Rama Krishna managed to persuade the chipmaker to let him wire EKA with the fibre optic cables, helping reduce the failure rate and cable length considerably, though the computer still required about 35 km of wires.

CRL created a unique architecture from off-the-shelf hardware and software running on a Linux operating system. Components were tweaked to extract extra performance beyond their specifications. "At times we asked component makers to tweak their products to our requirements," says Rama Krishna. "At others, we used their labs to do them." But bugs began to appear. The tests would run well but sometimes the system would crash five minutes before completing the task, sending the team scrambling to locate the error. Slowly, but surely, the computer began to consistently hit high levels of performance.

Finally, the monster calculator, which uses 2.5 megawatts of power to run, and 4 kilowatts of power — enough to light a small town — for cooling the 350 tonnes of equipment, achieved a peak performance of 172 teraflops on 25 October and a sustained performance of 120 teraflops on 5 November.

A Money Spinner For TCS

Did Sherlekar lose an opportunity to turn millionaire-entrepreneur? Sherlekar, who quit his cushy job of a chief technology officer at Sasken Communications, says, "There are things other than making money." He is content with using the advantages of a conglomerate like the Tatas. Though owning a supercomputer is great, the biggest achievement for CRL is having demonstrated the ability to build one at low cost with off-the-shelf components.

Such awesome computing power is, however, useless without applications, which can range from weather forecasting to drug computations. Ramadorai says already potential clients from the aerospace industry, pharmaceutical research and automobile industry have shown interest.

Even before the birth of the "giant baby", calls had come from several prospective customers. Aircraft makers can compute the stability of their machines under combinations of different parameters like air density, air current, air pockets and altitude. Drug companies can predict the side effects and efficiency of their drug before it is actually made. Current plans are to offer EKA on a time-share basis in a market for supercomputer services that is estimated at $31 billion. EKA is a big cash cow. ■

THE FASTEST LANE

EKA was ranked fourth in the Top500 Supercomputer list announced at SC07, a global conference for high performance computing

Rank	Company/country	Computer
1	Department of Energy /National Nuclear Security Administration / Lawrence Livermore National Laboratory, **United States**	BlueGene/L - eServer Blue Gene Solution IBM
2	Forschungszentrum Juelich (FZJ), **Germany**	JUGENE - Blue Gene/P Solution IBM
3	SGI/New Mexico Computing Applications Center (NMCAC), **United States**	SGI Altix ICE 8200, Xeon quad core 3.0 GHz SGI
4	Computational Research Laboratories, Tata Sons, **India**	EKA - Cluster Platform 3000 BL460c, Xeon 53xx 3GHz, Infiniband Hewlett-Packard
5	Government Agency, **Sweden**	Cluster Platform 3000 BL460c, Xeon 53xx 2.66GHz, Infiniband Hewlett-Packard
6	National Nuclear Security Administration / Sandia National Laboratories, **United States**	Red Storm - Sandia/ Cray Red Storm, Opteron 2.4 GHz dual core Cray Inc
7	Oak Ridge National Laboratory, **United States**	Jaguar - Cray XT4/XT3 Cray Inc.
8	IBM Thomas J. Watson Research Center, **United States**	BGW - eServer Blue Gene Solution IBM
9	National Energy Research Scientific Computing /Lawrence Berkeley National Laboratory, **United States**,	Franklin - Cray XT4, 2.6 GHz Cray Inc.
10	Stony Brook/BNL, New York Center for Computational Sciences, **United States**,	New York Blue - eServer Blue Gene Solution IBM

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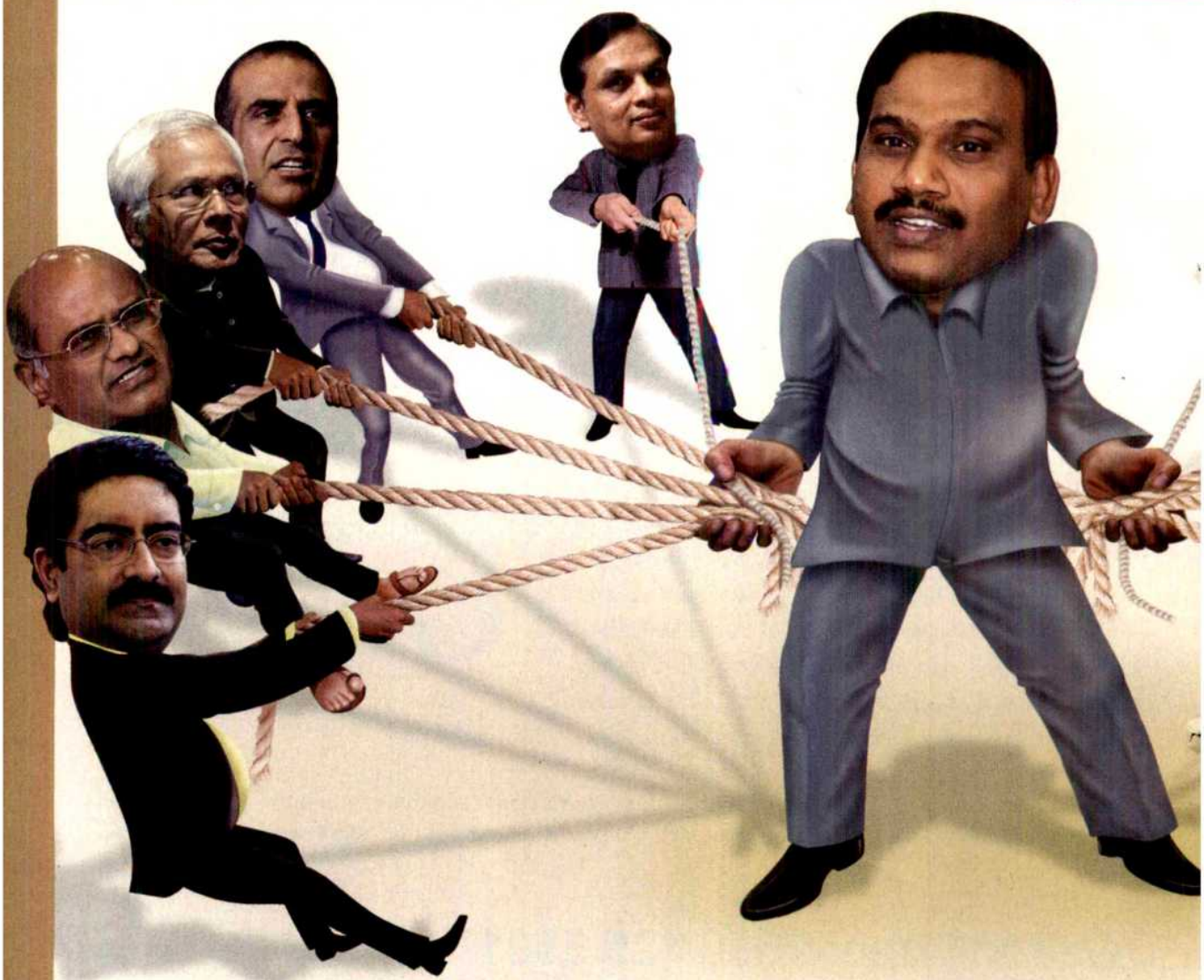
War for

The battle for new licences and spectrum has mobile operators pullin



Global spectrum pricing

Country	Price	Spectrum allocated
India	$412.75 mn	4.4 MHz
South Korea	$994 mn	20 MHz
Singapore	$1.2 bn	30 MHz
US	$2.5 bn	12 MHz

(L to R): Aditya Birla Group's Kumar Mangalam Birla, BSNL's Kuldeep Goyal, Vodafone Essar's Asim Ghosh, Bharti Airtel's Sunil Mittal, Videocon's V.N. Dhoot, Communications Minister A. Raja, DLF's Rajiv Singh, Shyam Telecom's Rajeev Mehrotra, Reliance Communications' Anil Ambani, Tata Group's Ratan Tata and Himachal Futuristic's Mahendra Nahata

air waves

he government and the regulator in different directions. By Anup Jayaram

ILLUSTRATION: ANTHONY LAWRENCE

EXECUTIVE SUMMARY

- A fierce battle has broken out among the GSM and CDMA operators over spectrum allocation
- Getting additional spectrum is much cheaper than increasing capital expenditure
- In the absence of consensus among the various stakeholders, the battle could end up in court

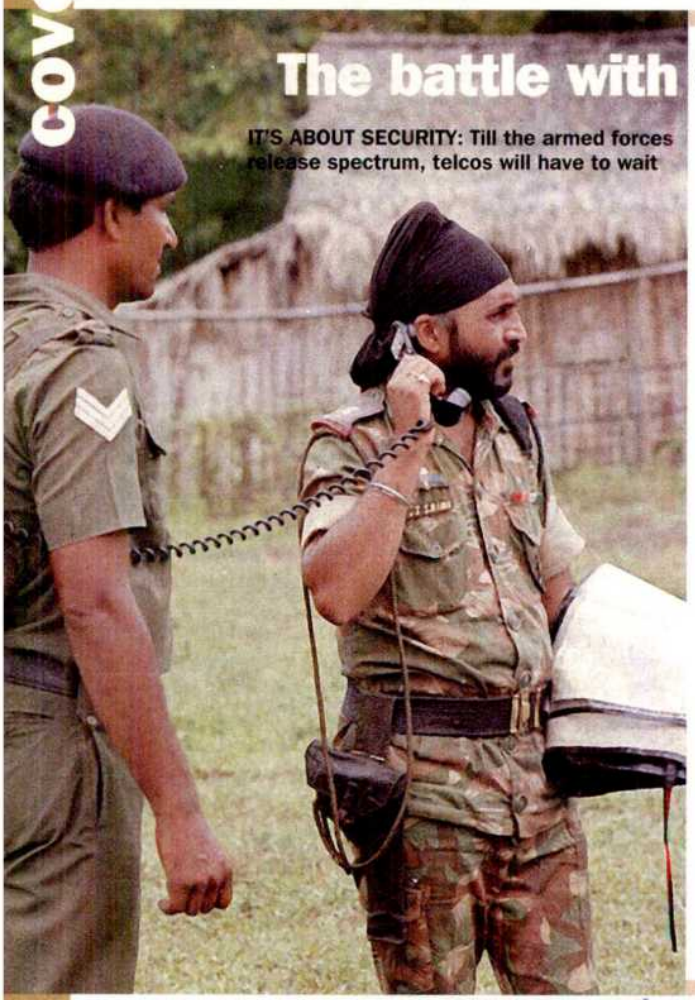
OCTOBER 18 was a long day, long enough to create a lasting controversy. A meeting at Sanchar Bhavan, headquarters of the communications ministry on New Delhi's Ashoka Road, lasted three hours. At 6.30 p.m., the Telecom Commission approved crossover technology that would allow mobile operators to offer GSM (global services for mobile) and CDMA (code division multiple access) cellular phone services with a single licence. By 9 p.m., Reliance Communications (RCom) executives received a letter of intent from the Department of Telecommunications (DoT) to start GSM services in 20 of India's 22 circles. The following morning, it paid Rs 1,651.66 crore as licence fee.

This has to be the cheapest mobile telephony spectrum purchase anywhere in the world. Like most telecom operators in the past, and based on the price paid by the fourth mobile operator in 2001, Reliance or any new player will get 4.4 Mhz for Rs 2,519 crore (including Rs 868 crore towards performance and bank guarantees). Rs 1,651 crore ($412.75 million) for a national licence with 4.4 Mhz works out to $93.81 million per Mhz (in contrast, this summer, US-based AT&T picked up 12 Mhz of spectrum for $2.5 billion or $208 million per Mhz). However, in 2001, there were just 4 million mobile subscribers in India. Today, there are 210 million.

RCom's victory has all the ingredients of a war being fought from the trenches. Modern history records trench warfare as a form of battle in which opposing armies keep firing at each other from trenches, without making any significant losses or gains. Likewise, DoT's hurry in sending the letter and accepting the fee the next morning may have been intended to be a step forward in domestic telephony, but it could throw the industry many steps backwards.

For this letter is the crux of the argument in a petition filed by Cellular Operators Association of India (COAI) against DoT and RCom, which threatens to foster a string of lawsuits that could derail India's telecom growth. Besides, Tata Teleservices is opposed to RCom's GSM licence. As its Managing Director Anil Sardana says, while telecom regulator Trai (Telecom Regulatory Authority of India) issued its guidelines on 19 October, RCom got its licence on the 18th. But this did not deter the Tatas from applying for a crossover licence on 22 October.

This trench war has been simmering ever since RCom — a CDMA player — approached DoT to grant it spectrum in the GSM band. Incidentally, RCom already has 5 million GSM subscribers in eight eastern India circles on the basis of the



IT'S ABOUT SECURITY: Till the armed forces release spectrum, telcos will have to wait

ABP

The battle with defence for spectrum

WITHOUT radio spectrum, the wide range of mobile services available today would simply not exist. However, spectrum is a naturally occurring finite resource, which must be managed efficiently for optimal utilisation. Mobile telephony operators can never have enough of it but now their hunger is real.

A large chunk of the spectrum that mobile telecom companies seek today is held by the Indian armed forces. The army needs it thanks to the Russian defence equipment India uses. With national security taking precedence over everything else, additional spectrum for telecom services exists but is not available.

Currently, 42.5 Mhz of spectrum in the 1800 bandwidth is with the Indian Air Force, and 2.5 Mhz with the Army. DoT is in the process of building an alternate optic fibre link for the defence authorities at a cost of Rs 1,200 crore. Once that is operationalised, defence is expected to release at least 20 Mhz of spectrum by mid-2008.

If and when this spectrum is released, the problems of telecom service providers will be partly mitigated. As of now, the 37.5 Mhz of spectrum that rests with GSM operators is enough for over 200 million subscribers. The additional 45 Mhz should accommodate another 300 million.

The communications and defence ministries are working on clearing the logjam, after which things should improve for India's mobile telephony companies. If defence had been able to vacate 45 Mhz at one go, the war for spectrum would have been over before it started. ■

licence that Reliance Telecom acquired in the mid-1990s.

The request has been strongly opposed by GSM players — Sunil Mittal of Bharti Airtel, Asim Ghosh of Vodafone Essar and Sanjeev Aga of IDEA Cellular, all part of the COAI — on the ground that existing GSM players must get priority in spectrum allocation over new players. As of now, Bharti Airtel, Vodafone Essar, IDEA Cellular and Maxis Aircel have 10 Mhz of spectrum each in Delhi and Karnataka, Delhi and Mumbai, Maharashtra, and Tamil Nadu, respectively. Vodafone CEO Arun Sarin has told DoT's spectrum committee that India has enough competition and hence does not need new operators. Aspirants such as Tata's Sardana compare this to shutting the compartment door after getting inside.

Who wants what

The players	The demands
Bharti	Retain existing norms for spectrum allocation. Level playing field with BSNL/MTNL.
Reliance	Re-farm spectrum based on TEC norms. All operators should get allocation in 900-Mhz band
Tatas	No subscriber base criterion for spectrum. Auction spectrum to all over 6.2 Mhz.
Vodafone	No need for new operators. Wants more spectrum for better services and expansion.

Much of this war is being fought through hectic lobbying at the DoT, the communications ministry, the Trai and the Prime Minister's Office. Prime Minister Manmohan Singh has been bombarded with letters from Tata Group Chairman Ratan Tata, RCom's Anil Ambani, Vodafone Essar's Sarin, Communications Minister A. Raja, Commerce Minister Kamal Nath, and Rajya Sabha member and former chief of BPL Mobile, Rajeev Chandrasekhar.

It started with Bharti Airtel's Mittal sending a missive to Telecom Secretary D.S. Mathur over giving RCom a licence. That's when Ambani said existing GSM operators need to surrender extra spectrum. Tata said there was lack of transparency at DoT. GSM operators are initially allocated 4.4 Mhz of spectrum. Later this is increased to 6.2 Mhz. This is all the universal access service licence (UASL) allows them to retain. Hence, aspiring operators argue that spectrum allocation must be limited to 6.2 Mhz and anything above that be auctioned.

It has now reached a stage where even routine meetings and presentations at DoT often erupt into a war of words

between the CEOs. At times, the tension shows up in lack of faith in each other and in the industry association that is driving the cause of GSM players. Smaller players such as Himachal Futuristic Communications' (HFCL's) Mahendra Nahata and Shyam Telecom's Rajeev Mehrotra have often complained that their cause is being ignored. At a meeting, Spice Telecom Chairman B.K. Modi rued, "COAI is a body of two-three players only." When a CEO at the last DoT meeting on 26 November offered to keep all discussions and presentations behind closed doors, Ambani asked all presentations be put up on the DoT website for public scrutiny.

Says Chandrasekhar, "We delude ourselves into believing that nothing affects us outside the Sunil Mittal-Anil Ambani drama going on." Take, for instance, the telecom user who sees no respite from clogged networks, dropped calls and poor services. "In many places, I am not able to talk," says Delhi-based plumber Bhim Singh. "This has resulted in my losing a lot of business."

On the verge of an impasse, different telcos are testing their strength in a guerilla war. But, as Chandrasekhar puts it, "in this debate, the focus is on two camps (Bharti Airtel and RCom). Mittal's argument is doomed to fail. I find it hard to argue the points Anil has raised".

The Tatas, who exited from GSM operator Idea Cellular in 2006 to focus on CDMA service provider Tata Teleservices, are taking another look at GSM. If they win the legal battle over migration to GSM, they are likely to push forward Ratan Tata's desire to become a leading player in the industry. If they lose, they will have to rethink their telecom strategy. And Ambani's RCom, of course, has made up its mind to enter GSM.

Auction, Allocation Or Re-Farming?

The battle for spectrum is being fought on these arguments: Should there be an allocation of spectrum? If so, at what price? Should there be auction? And, should there be re-farming of unused spectrum?

The Rs 1,651-crore price for a national licence was decided in 2001. But, as Chandrasekhar asks, "What class of assets can I buy today at 2001 prices? Spectrum is an asset of the people of India. So, there should be commercial monetisation of it." Chandrasekhar and a host of others believe auction of spectrum is the only way out. The biggest drawback of not auctioning is the risk of spectrum hoarding by telcos. An existing player getting additional spectrum would also see significant upside in its valuation overnight. This has attracted 46 companies, many of whom have no background in telecom, to put in 575 applications.

The rhetoric is not without merit. The exchequer has failed to exploit its share of revenues in India's highly regulated telecom sector. One area where Trai has been found wanting is in seeking reallocation of spectrum. In a recent letter to the PM, Ambani offered to surrender 1.8 Mhz of spectrum in Bihar for re-farming provided other players followed suit. UK's OFCOM, for instance, asked operators such as Vodafone and O2 to surrender bandwidth in the 900-Mhz band. But, in return, the operators will be able to use the 900 MHz spectrum for other services, including high-speed mobile broadband, that current regulations prevent them from offering.

Today's telecom battle began innocuously enough. On 29 August, Trai recommended there be no cap on the number of operators in a circle. It then permitted operators to offer multiple technologies. Earlier, CDMA and GSM operators worked under different rules and could stay with only one technology.

Trai also reviewed the March 2006 rules that allocated spectrum on the basis of subscriber numbers. First Trai, and later the Telecom Engineering Centre (TEC), tightened subscriber norms. Under the Trai recommendations, an operator needs 5 million subscribers in an A circle to get 10 Mhz. Under TEC norms, it goes up to 7.4 million. GSM operators are, naturally, opposed to this. Surprisingly, the TEC has no specifications for CDMA operators.

The Lines Are Drawn

A rash of battles is now being fought, the fiercest being on dual technology use between the GSM operators body, COAI, the CDMA operators grouping Association of Unified Telecom Service Providers of India (Auspi) and the DoT. COAI insists that crossover allotment of spectrum is not permitted under the present policy. The TDSAT (Telecom Disputes Settlement and Appellate Tribunal) is expected to adjudicate on COAI's petition. The threat to GSM operators has further increased because the government recently allowed players to provide number portability that allows subscribers to retain their

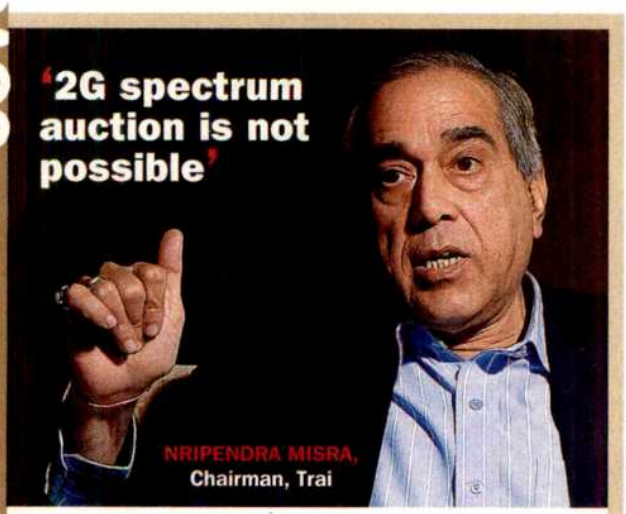
Before and after

THE Department of Telecommunications (DoT) received 283 applications from 22 companies till 25 September. Of them, IDEA Cellular, Maxis Aircel and Vodafone Essar had received their licences in December 2006. IDEA got licences for Mumbai and Bihar, Maxis Aircel for seven circles including Delhi and Mumbai, and Vodafone for all six C circles. On 14 December, Maxis got seven more licences.

Between them, they account for 22 applications. There is an overlap in Mumbai (IDEA and Maxis) and Bihar (IDEA and Vodafone). None of them has, however, sought licences in West Bengal and Tamil Nadu.

With Reliance (19 October 2007) and Tatas (22 October 2007) getting licences, virtually all the 46 new applicants are on the back foot. That's because Reliance has emerged as No. 2 in the race for spectrum across the country barring Mumbai and Bihar where it is No. 3. However, it already has a presence in Bihar as a GSM operator. It is the leader in Tamil Nadu and West Bengal. The Tatas, who have put in 20 applications, are No. 3 all over the country barring Bihar and Mumbai, where they are No. 4.

Once 20 Mhz of spectrum is released, the DoT can offer 6.2 Mhz to three players. Considering that the original applicants, Reliance and Tatas, will get spectrum, there is hardly any place for the new players. If at all, one new operator may emerge in the fray. That should not upset the applecart for the incumbents. ■



TRIBHUVAN SHARMA

WHEN Nripendra Misra, chairman of India's telecom regulator, Telecom Regulatory Authority of India (Trai), suggested there be no cap on the number of mobile operators, a flood burst. Out of nowhere, 46 companies put in 575 applications to start mobile services. Some of them are real estate giants thirsting for the high valuations that telecom companies have. Also in the race are CDMA operators Reliance Communications and Tata Teleservices, looking to launch nationwide GSM services. Misra spoke to *BW*'s Anup Jayaram on the stakes that surround spectrum. Excerpts:

■ *Don't you think that the entry fee for new operators needs to be hiked?*

■ The Rs 1,651-crore figure that operators paid in 2001 emerged after a due process. Trai has not yet been asked to determine the price of spectrum.

■ *What about an auction for 2G spectrum?*

■ As things stand, it's not possible to go for an auction of 2G spectrum. That would lead to a long and unwanted legal tussle. What we can do now is auction 3G spectrum.

■ *Is it possible for operators to add many more subscribers on the same amount of spectrum?*

■ We looked at many factors including the distance between towers, radio wave strength and population density before coming up with the revised figures. There are eight-nine parameters that can be used to increase efficiency. The immediate impact for operators will be an increase in capital expenditure. But, it is definitely possible to have more subscribers on the available spectrum.

■ *What do you have to say about the TEC norms for getting additional spectrum?*

■ We have given our recommendations. It is for the government to decide and adopt what they think is right. ■

numbers while changing operators.

CDMA operators argue that existing GSM players are hoarding excessive spectrum they have secured at cheap prices over and above the specified 6.2 MHz, allocated as part of the UASL. Today, Bharti has more than 6.2 Mhz in nine of 23 circles, Bharat Sanchar Nigam (BSNL) in 13 of 21, Vodafone Essar in seven of 16, Idea Cellular in six of 11, Aircel in two of 10, and Reliance GSM in one of eight circles (see box 'Before And After' on page 31).

The Prime Minister's Office is now parrying a volley of objections, accusations and just plain frustration. Indeed, thanks to coalition politics, Raja replaced Dayanidhi Maran at the express behest of Dravida Munnetra Kazhagam (DMK) leader M. Karunanidhi.

The last fortnight has seen a flurry of meetings and missives. On 26 November, Bharti, Vodafone-Essar, Tata Teleservices, RCom, HFCL/Shyam Telecom and COAI made presentations to the spectrum committee. The telecom industry is headed towards long-drawn litigation on policy, not unlike in 2002, when limited mobility was first introduced. Says Chandrasekhar, "Policy litigation is not a sign of a mature economy."

The Jury Is Out

Spectrum is a limited, naturally occurring resource. Globally, CDMA operators use the 800-Mhz bandwidth while GSM operators function within the 900 and 1800 Mhz bandwidths. India suffers from an additional limitation. Of the total 110 Mhz spectrum available in India, only 37 Mhz is accessible in the 900 and 1800 Mhz bands. The 25 MHz that has been allocated for GSM by the International Telecommunications Union (ITU) in the 900-Mhz band is completely occupied. Of the 75 Mhz in the 1,800 Mhz band, only 15 Mhz is with the GSM operators, 45 Mhz is with the Air Force and the Army. The armed forces are supposed to surrender 20 Mhz by the end of December, though it may actually happen only around mid-2008, by which time they would have tested the optic fibre link that is expected to connect their various installations.

The queue for spectrum is led by IDEA Cellular (two circles), Maxis Aircel (14) and Vodafone Essar (six). They have already paid the requisite fee and have been waiting for spectrum since December 2006. Applications overlap only in Mumbai and Bihar. When RCom got its licence on 19 October, it jumped to the second position on the queue (immediately after the December 2006 applicants), except in Mumbai and Bihar, where it is third in line. RCom leads in Tamil Nadu and West Bengal. Next in line are the Tatas. The entry of Reliance into GSM along with Trai's subscriber norms has made the going tough for incumbent operators.

Once both RCom and the Tatas are allocated 4.4 Mhz of GSM spectrum, existing operators are unlikely to get any more spectrum in the near future. They will have no choice but to add more subscribers within their existing spectrum. The crunching of subscriber norms is going to make this difficult.

A Bleached Spectrum

As things stand, incumbents have no option but to settle for a trade-off. They will either have to secure more spectrum or increase capital expenditure substantially. That involves setting up more base stations within the same area to improve

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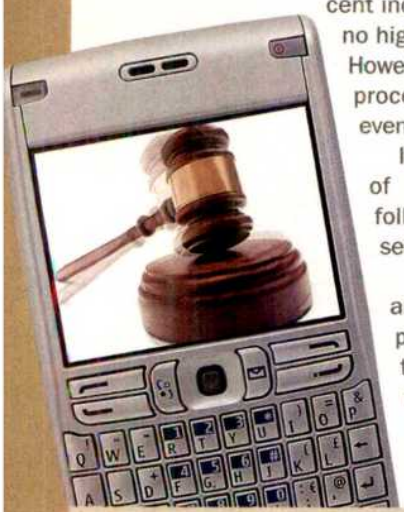
Under the hammer

GLOBALLY, auctioning of spectrum has resulted in chaos. The best example is the European auction for 3G spectrum in 2000 in which companies bid $190 billion for 3G licences. After that it took them years to formally launch services. India is heading for an auction of 3G spectrum in the not-too-distant future.

There are three models for auctions. There is the first-price sealed-bid auction where the highest bidder wins and pays the amount. The second is the second-price sealed-bid auction where the highest bidder wins but pays the amount quoted by the second highest bidder. He is given an option to increase his bid.

The third and the most popular is the simultaneous ascending auction (SAA). Here bidders put in bids round by round. The prices keep rising till a stage is reached where it does not go up any further. The auctioneer identifies a minimum bid criterion (say, a 5 per cent increase) to ensure that no higher bids are received. However, this is a long-drawn process and could take even up to two months.



In India, the last round of FM radio auctions followed the first-price sealed-bid auction. It had a reserve price and all bidders had to put in a closed bid. In the case of 3G spectrum, the Trai has recommended the use of SAA. ■

network coverage. "Where you initially needed 60 towers, you will now need 100," says Chandrasekhar. "But since equipment costs have come down sharply, adding towers should not be too difficult." To hike the price of spectrum, a methodology has to be worked out. Yet, as of now, no such request has been made to the Trai.

Meanwhile, existing operators say they need more spectrum to grow. RCom argues that private GSM providers have added 53 million subscribers without any additional spectrum. If existing operators choose the only alternative available to them at this point, and invest further in their network and cell sites, they would see their capital costs surging.

Already, CDMA operators are arguing that the GSM players have got a great deal more spectrum than they deserve. Ambani argues that the three operators — Bharti, Vodafone Essar and IDEA Cellular — have been allocated 54.2 Mhz of spectrum across India, beyond the 18.6 Mhz per circle to which they are entitled. The pie is divided like this: 21.4 Mhz is with Bharti, 20.2 Mhz with Vodafone-Essar, and 12.6 Mhz with IDEA Cellular. Somewhat curiously, Ambani does not mention the additional allocations made to the state-owned BSNL (20.8 Mhz) and Mahanagar Telephone Nigam (MTNL, 3.6 Mhz). The numbers then add up to 78.6 Mhz.

Ambani advocates that GSM operators should surrender spectrum over and above the stipulated 6.2 Mhz they have across India. That, according to him, will give a fillip to competition. "Anything over 6.2 Mhz should be auctioned," Tatas' Sardana concurs in a rare agreement between the two rivals. "Then operators will use spectrum efficiently."

That's Another Story

Nevertheless, the problem does not begin and end with private GSM operators. Even as the entire debate over spectrum boils over, the state-owned BSNL and MTNL have been allocated scarce spectrum very generously. Tension escalated when BSNL and MTNL were given 10 Mhz and 12.4 Mhz of spectrum, respectively, despite not coming anywhere near the prescribed subscriber norms for securing more spectrum.

While Bharti has 3.6 million and Vodafone 3 million subscribers in Delhi, MTNL has only 1.27 million. Similarly, in Maharashtra, while IDEA has 3.82 million subscribers, BSNL has 2.61 million. Sanchar Bhavan's arithmetic is therefore questionable. COAI argues that the TEC's subscriber norms have lost their relevance as there is no level playing field as far as spectrum allocation is concerned. Meanwhile, RCom argues that the TEC norms should be tightened further, using innovations that are possible on the network.

The problem of additional spectrum allocation goes back to the early days of mobile telephony. Till February 2002, spectrum was given on an ad hoc basis. From then, and till March 2006, operators got anything from 8-10 Mhz without any policy framework. Going by Trai's current norms, existing operators should surrender 32 MHz. If the TEC's norms were applied, this excess figure would rise to 54 Mhz. In the past three years, however, no additional spectrum has been allocated to any operator.

In this exceedingly complicated tangle of high stakes, one thing is abundantly clear. If there is no re-farming of spectrum as demanded by CDMA operators, at most only one of the 46 new applicants will be in a position to get spectrum. The 20 Mhz released from defence will be enough to offer 6.2 Mhz to just three operators. So, it is a case of the existing guys getting more. That is hardly real competition.

Consumers will then have eight nationwide operators, six GSM (four existing, RCom and Tatas) and two CDMA, to choose from. As of now, there are four GSM operators and two CDMA operators in each circle. A re-working of tariffs appears inevitable. Though Sarin has said that there is enough competition in Indian market, in line with international norms, this is not true. The US has 27 operators and Brazil has 10, though China's highly regulated market has only two operators.

As players talk tough and stand firm, there is no easy way to negotiate this impasse. A long-drawn legal battle can ensue, though no side wants to go to court. A quick and reasonable arbitration rests at the door of Raja. The trenches, meanwhile, are ugly, dark and deep. ■

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THE recent multi-billion-dollar acquisition by Vodafone of Hutch is evidence that we have a robust telecom sector with significant consumer, revenue and market capitalisation growth. However, the resurfacing of controversy on fundamental issues such as licensing shows that we still lack some basic requirements that go to characterise a 'truly robust' sector. The current controversy of companies lining up for spectrum or licence allotment is needless and requires to be addressed transparently. The telecom sector in India seems to suffer from a six-year itch; first in 1995 on Sukhram, 2001 on WLL and now on spectrum.

In 2003, by accepting the Universal Access Licensing Policy of the government, the telecom players accepted technology neutrality and an industry model of unrestricted and high competition. There is general political and public consensus that there should be more competition. And since spectrum is the fuel for all operators, sustaining high competition requires its wider distribution, which, in turn, requires a more robust spectrum efficiency model. Expectedly, this whole issue is being contested by two large GSM players. Both would be happy to see delays in introduction of new competition, but in my view have no basis to oppose this post 2003.

The process for allotting new spectrum or licences should be transparent and equitable. I have been quite vocal that there should be a tender /auction process for this. The ministry and the regulator seem to agree. The ministry has shown proof of its intentions by overturning a questionable recommendation by Trai on 3G auctions, and choosing to make a full open auction with no limitations on the number of participants.

In the case of 2G (cellular/UASL licences), it seems that the process of auctions is being tripped up by the UASL policy and its guidelines in 2005 that specify, "licences shall be issued without any restriction on the number of entrants for provision of UASL in a service area". DoT has implemented this policy and accepted moneys from a number of telecom companies, which means a legal contract has been established. Trying now to impose a fresh auction model would lead to all kinds of legal implications of unwinding contracts. The only practical solution seems to be — the current policy of allocating spectrum may need to be continued with licences (spectrum included) to new licencees/applicants with a clear condition that no further licences or spectrum will be allocated without an auction. This is not ideal, but unfortunately this is the best of a bad situation.

The role of institutional pillars such as Trai is an underrated but vital piece of the equation. The telecom sector has been haunted by worrying and unwarranted political interference. The performance and conduct of the regulatory institution post 2000 has been poor in terms of independence and soundness of orders. It is important that we conduct a review of the law and the institution itself, and make it more accountable. Since the telecom sector today is robust and well-capitalised, the country can afford a policy that's more commercial and not only developmental as in the past.

The telecom sector has touched Indians in ways no other infrastructure sector has. The moves we make now will add to the positive effect. But doing so transparently and equitably, and building regulatory institutions that will take the sector down the long-term path are also important. ■

HEMANT MISHRA

Rajeev Chandrasekhar is a Member of Parliament, Member of Parliamentary Standing Committee on Telecom and IT, and Vice-President of FICCI.

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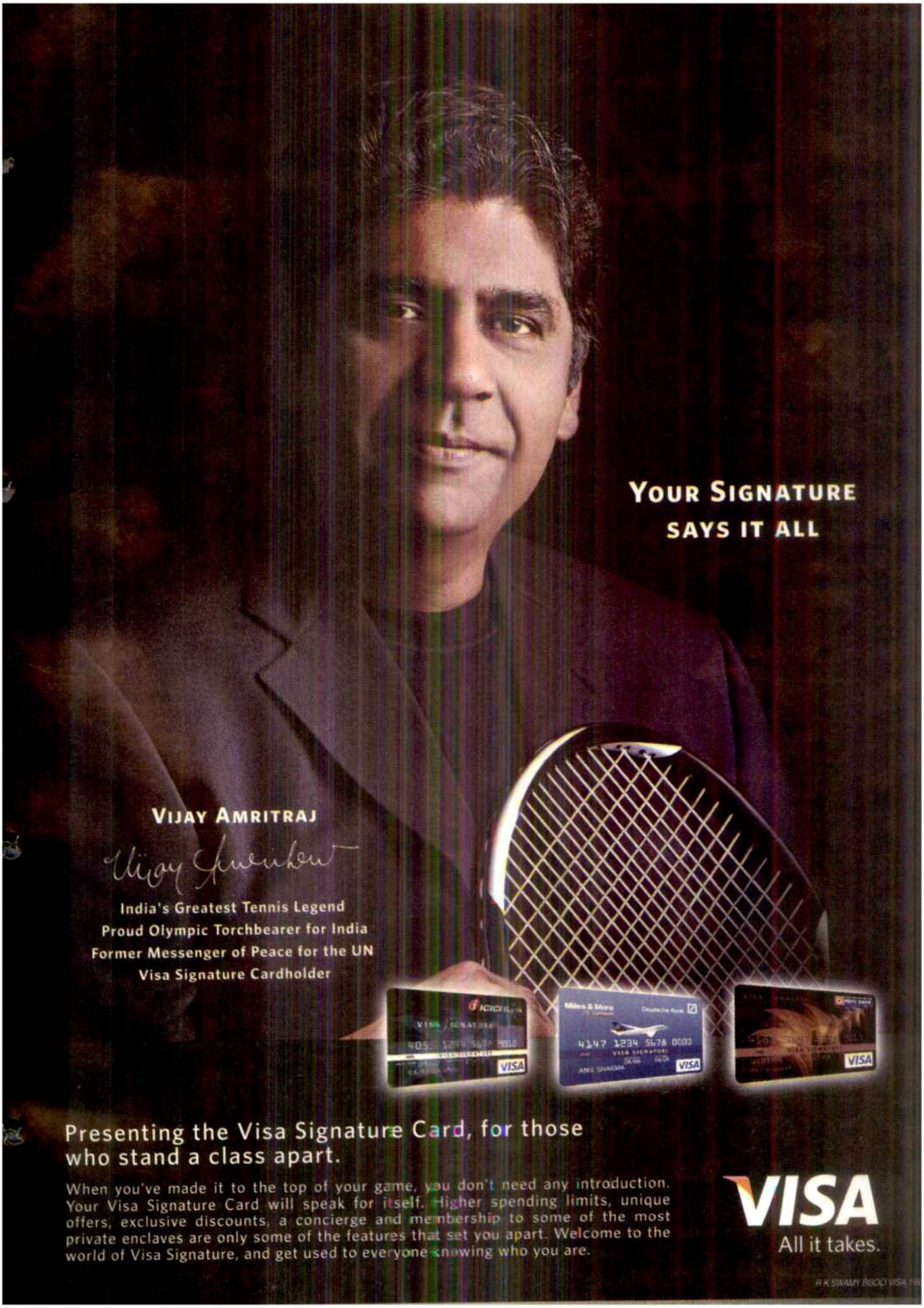
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Wanted: clarity

THE Indian telecom juggernaut continues to roll on. The government's target of 250 million subscribers by 2008 has already been scaled. Of these, over 200 million are mobile phone users. Clearly, mobile telephony is coming of age and changing the way India communicates. Success for telecom companies has not come without pain — because of policy and regulatory uncertainty. The unpredictability has all but throttled the growth of new players. Also, partisan views on technology have negated the concept of a level playing field. Any sector's success must be a function of market dynamics. But in India, policy and regulatory environment have played a more telling role in shaping the success, or otherwise, of a corporate entity.

However, there have been several progressive policy moves as well — UASL, the CPP regime, dual technology use, 3G spectrum auction and mobile number portability. Yet industry continues to grapple with issues such as spectrum allocation. Thirteen years after telecom was opened up, we do not have a comprehensive technology neutral spectrum policy. Such a policy will help service providers formulate business plans based on a consistent regulatory framework.

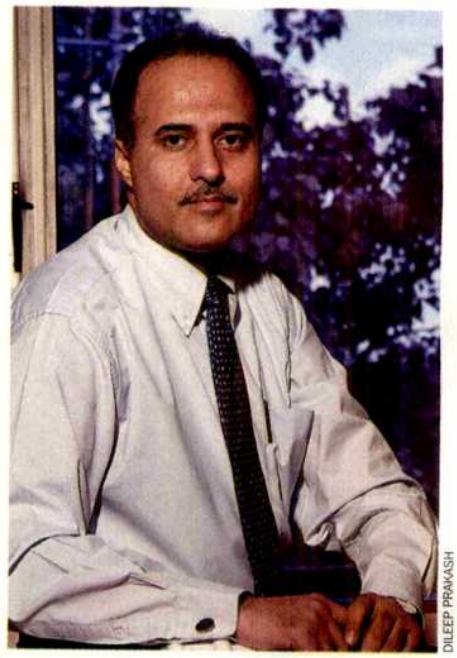
The method of subscriber-linked spectrum allocation is unique to India and is at the root of all controversies. It gives undue advantage to some operators and can be manipulated. The inconsistent level of spectrum allocated to some operators — for the same number of customers — shows there is no way spectrum can be balanced in proportion to subscriber numbers. Once number portability is implemented, does a customer's quota of spectrum move with him or would the authorities balance this on a monthly basis? At Tata Teleservices, we have always advocated auction of spectrum beyond the initial contracted spectrum through a transparent process — not one based on the discretion of authorities.

Most of all, such a policy will encourage service providers to deploy latest technologies and utilise available spectrum in a technologically efficient manner. Also, it's time the government reviews linking subscriber numbers with spectrum allocation — for this has led to many operators reporting inflated activation numbers. This particularly holds true since there is no balancing payment or charge that the government gets for every new subscriber from service providers.

The three pillars on which Trai's 3G recommendations are based — allotment of spectrum to licensed operators, technology neutrality and spectrum pricing — can be extended to spectrum allocation in the 2G band. There's little merit in applying different rules for 2G and 3G.

The differentiation between GSM and CDMA must end. GSM operators will soon deploy advanced technologies such as HSDPA and it would be unfair if they are allowed to hold more spectrum than CDMA operators.

The government should provide a spectrum roadmap for the progression of CDMA players. GSM players have been offered spectrum in 900 MHz, 1800 MHz, and 2.1 GHz bands. A similar path should be offered to CDMA players by providing them spectrum in the 1900 MHz band. We recently conducted field trials in Hyderabad in the presence of government and industry, proving that mixed band allocation in the 1900 MHz band was technically possible. ■



DILEEP PRAKASH

Anil Sardana is managing director of Tata Teleservices

Mobile telephony is coming of age and changing the way India communicates, but success for telcos has not come without pain

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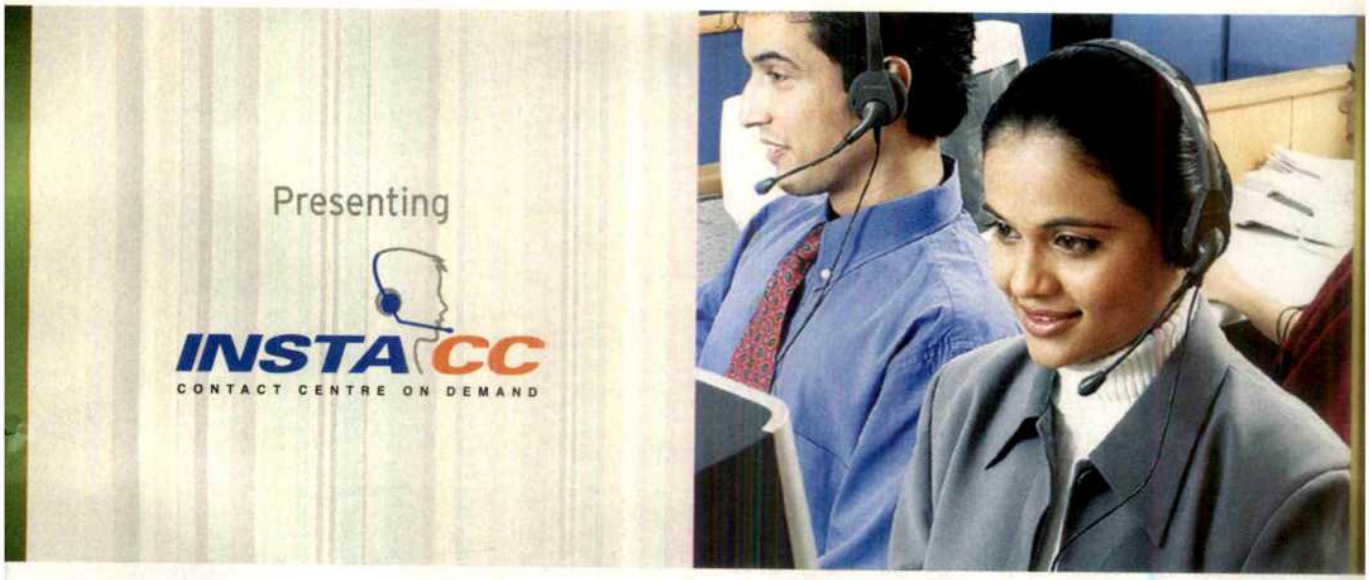

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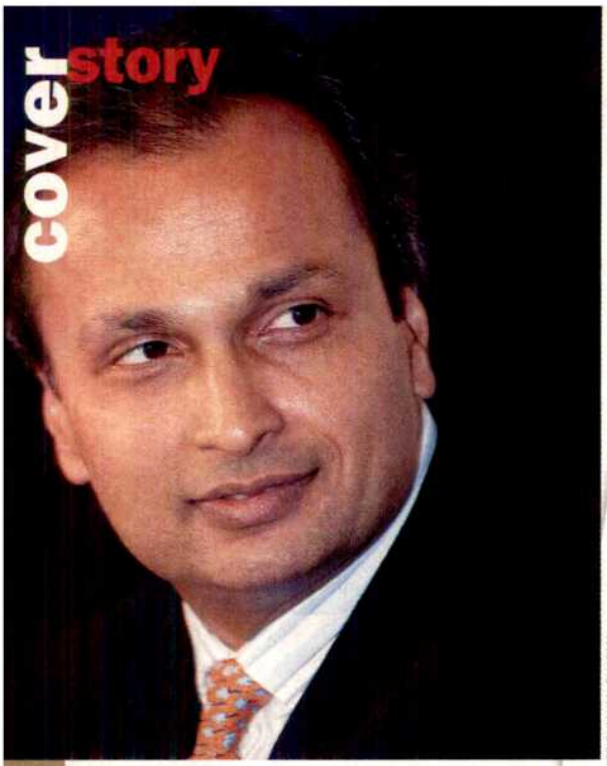
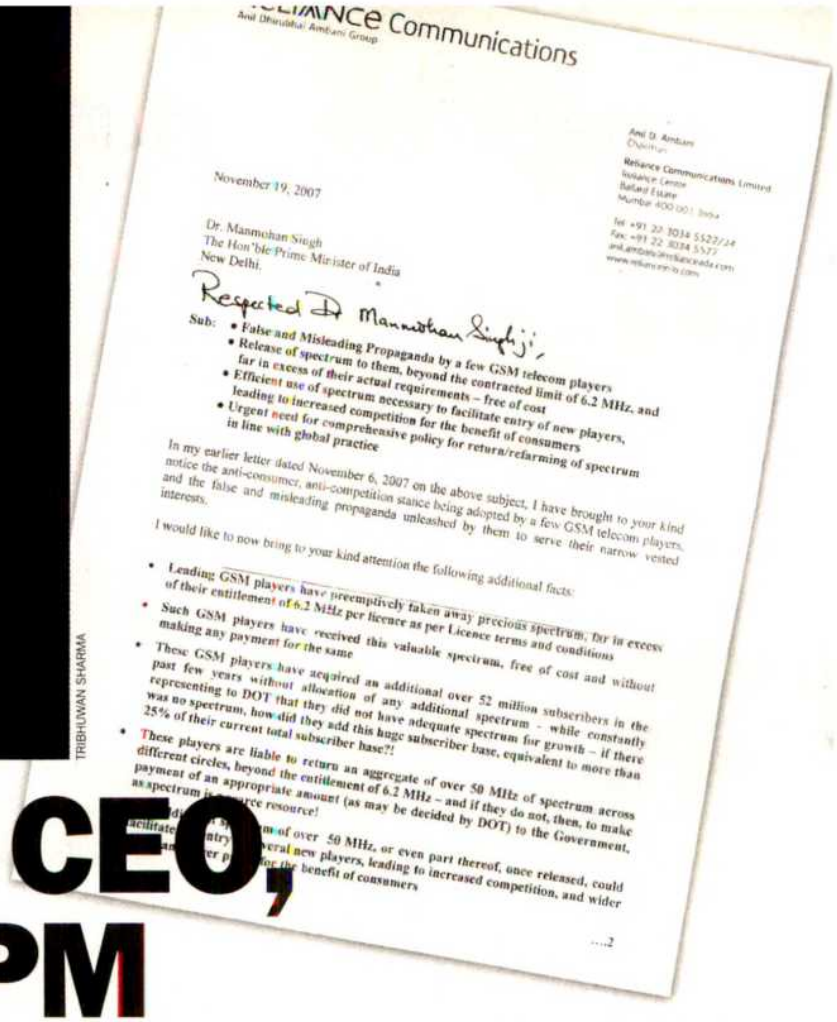


TRIBHUWAN SHARMA



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November 19, 2007

Dr. Manmohan Singh
The Hon'ble Prime Minister of India
New Delhi.

Respected Dr Manmohan Singh ji,

Sub:
- False and Misleading Propaganda by a few GSM telecom players
- Release of spectrum to them, beyond the contracted limit of 6.2 MHz, and far in excess of their actual requirements – free of cost
- Efficient use of spectrum necessary to facilitate entry of new players, leading to increased competition for the benefit of consumers
- Urgent need for comprehensive policy for return/refarming of spectrum in line with global practice

In my earlier letter dated November 6, 2007 on the above subject, I have brought to your kind notice the anti-consumer, anti-competition stance being adopted by a few GSM telecom players, and the false and misleading propaganda unleashed by them to serve their narrow vested interests.

I would like to now bring to your kind attention the following additional facts:

- Leading GSM players have preemptively taken away precious spectrum, far in excess of their entitlement of 6.2 MHz per licence as per Licence terms and conditions
- Such GSM players have received this valuable spectrum, free of cost and without making any payment for the same
- These GSM players have acquired an additional over 52 million subscribers in the past few years without allocation of any additional spectrum - while constantly representing to DOT that they did not have adequate spectrum for growth – if there was no spectrum, how did they add this huge subscriber base, equivalent to more than 25% of their current total subscriber base?!
- These players are liable to return an aggregate of over 50 MHz of spectrum across different circles, beyond the entitlement of 6.2 MHz – and if they do not, then, to make payment of an appropriate amount (as may be decided by DOT) to the Government, as spectrum is a scarce resource!
- This additional spectrum of over 50 MHz, or even part thereof, once released, could facilitate the entry of several new players, leading to increased competition, and wider choice and lower prices for the benefit of consumers

...2

From a CEO, to the PM

Snippets from a letter to the Prime Minister by Anil Ambani on the spectrum imbroglio

I would like to bring to your kind attention the following facts:

■ Leading GSM players have taken away precious spectrum, far in excess of their entitlement of 6.2 MHz per licence as per Licence terms and conditions.

■ Such GSM players have received this valuable spectrum, free of cost and without making any payment for the same.

■ These GSM players have acquired an additional over 52 million subscribers in the past few years without allocation of any additional spectrum — while constantly representing to DoT that they did not have adequate spectrum for growth — if there was no spectrum, how did they add this huge subscriber base, equivalent to more than 25 per cent of their current total subscriber base?!

■ These players are liable to return an aggregate of over 50 MHz of spectrum across different circles, beyond the entitlement of 6.2 Mhz — and if they don't, then, to make payment of an appropriate amount (as may be decided by DoT) to the Government, as spectrum is a scarce resource!

■ This additional spectrum of over 50 MHz, or even part thereof, once released, could facilitate the entry of several new players, leading to increased competition, and wider choice and lower prices for the benefit of consumers.

IT is a matter of record that in the past, right from 1995 to 2006, the existing GSM operators have been allocated spectrum, first, from 4.4 MHz to 6.2MHz, and thereafter, upto 8 MHz and even 10 MHz, without any subscriber-linked criteria, and without reference to any norms of spectral efficiency.

The loss to the Government by inefficient use of spectrum, and the liberal allocation of spectrum, runs into thousands of crores, apart from the negative impact it has on limiting competition.

The policy could include inter-alia provisions for re-farming of spectrum between the 900 MHz and 1800 MHz bands inter se amongst all operators such that the existing operators do not enjoy an inherent and unfair long term cost advantage over new entrants.

In view of the above, and in the interests of millions of telecom consumers and to encourage free competition, may I request the Government:

■ To consider formulation of a comprehensive and transparent policy on return and refarming of excess spectrum held by operators.

■ To call upon existing GSM operators to return spectrum in excess of their entitlement of 6.2 MHz as per the licence terms and conditions — and if they do not, then, to make payment of an appropriate amount to the Government.

■ To advise the new Committee on subscriber criteria for spectrum allocation to examine the TRAI recommendations and TEC conclusions, and not succumb to pressure from GSM operators. ■

PROMOTION

Intelligent IT investments meet high-density challenges

C.N. Ram, Head IT, HDFC Bank

Data centres crunch more than numbers. In recent years, they have evolved from unobtrusive back-end support systems to thriving revenue centres that incur expenditure and earn profits. The difference between a good data centre and a bad one lies in its technical infrastructure. When a data centre comes with reliable power back-up, efficient cooling, excellent security, swift data access and effective remote management, it contributes to the bottom line significantly and positively. This makes both technical and financial sense. A well-managed data centre is a valuable, revenue-earning asset. An ineffectual one can be disastrous. It not only requires cumbersome trouble-shooting but leads to unavoidably heavy tangible and intangible losses. The right data centre infrastructure is an investment that never fails, not only physically but also fiscally. We find out how from HDFC Bank's experience.

The Upside Of Uptime

"More than 50 per cent of our customers use our ATM facilities. Many more access us on the Internet. With so much of our business coming through ATMs and the Internet, we cannot afford to have any glitches in our processes. We make a promise to our customers that we will be available no matter when they want to access their accounts, whether this is at 2 in the morning or 1 in the afternoon. Therefore, we see it as a key responsibility to ensure that our data centre, which has all information about the customers and the bank, is up and running at all times," says Mr C.N. Ram of HDFC Bank, India's second largest private bank. Having reliable and competent infrastructure is the only way to achieve this, he believes.

A data centre is the nucleus of a bank. Having reliable and competent infrastructure is the only way to make sure the data centre is up and running at all times

In effect, "More uptime (i.e., when the system is up and running) means a more reliable server, which also means more people can use our ATMs and not crowd our branches. Less time and money spent on physically serving the customer translates into more profit for the bank," Ram adds. Conversely, any downtime not only leads to loss of business but creates a bad image in the minds of customers. This is an irrefutable fact: the data centre is the nucleus of the bank. It is all important. It needs to be designed and monitored such that any glitch is fixed as soon as possible.

When a bank is easily accessible and a customer has a good experience, it leads to tangible benefits, Ram believes. "No banker wants to be known as the one with ATMs that never work. The better the experience people have with us, the more they are going to recommend us to their friends," he says.

Good Design + Standardization = Efficiency

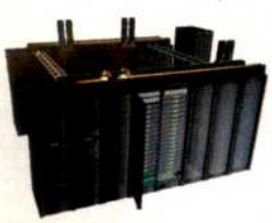
The greatest challenge for any company working on data centre deployment is to design it in such a way that it makes the most of the space available to provide the maximum output, even as it uses power, and cools, more effectively. This is APC-MGE's core business. Pioneers in new ways of structuring and standardizing data centres, APC-MGE has transformed data centres from being a maze of cables and massive servers to standardized set-ups complete with management software, security monitoring, environmental regulation and, of course, management of power and cooling. The days when a data centre was identified by the ubiquitous UPS are long gone. APC-MGE's Efficient Enterprise solution lives up to its name.

Intelligent IT

After opting for APC-MGE's greener systems, HDFC could continue to serve its customers without worrying about downtime. "A data centre is something that needs to be constantly monitored. Better design and infrastructure ensure that we spend as little time as needed to fix problems," says Ram.

When HDFC Bank came into being, its USP was the better use of technology to enable faster transactions with less room for human error. As a company that invests in IT intelligently, HDFC Bank has proved that more reliable and smart infrastructure results in a better customer experience, brings in more business opportunities, and saves costs by divesting an over-sized system architecture. "While investing in new infrastructure, we need to keep the economics of scalability in mind. Technology is improving every day. Processes are now more environmental friendly. They cause less heat dissipation, which translates into better cooling. In the end, with better infrastructure and processes, running costs come down or remain the same, while we continue to grow and get more proficient," Ram points out. For HDFC Bank, APC-MGE's Efficient Enterprise is the solution that makes sure problems never happen.

InfraStruXure
DATA CENTERS ON DEMAND



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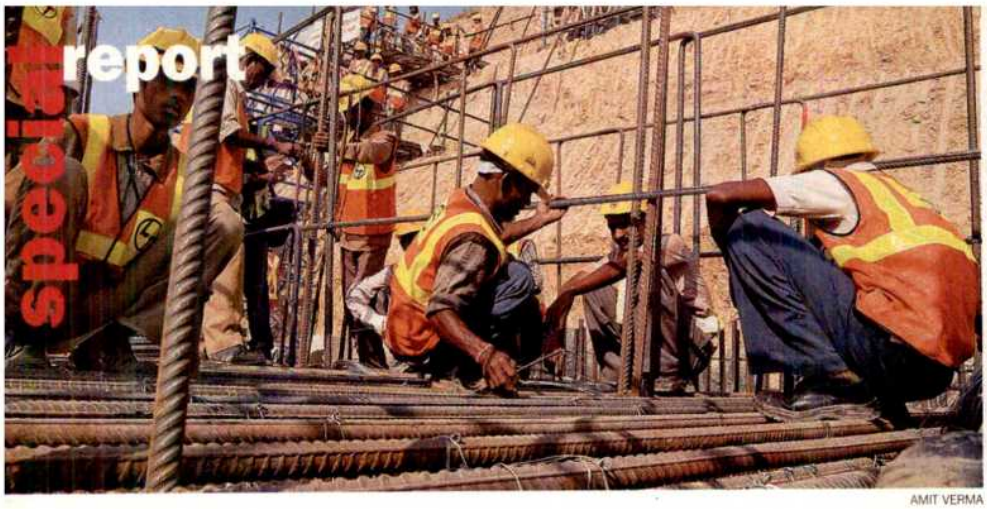
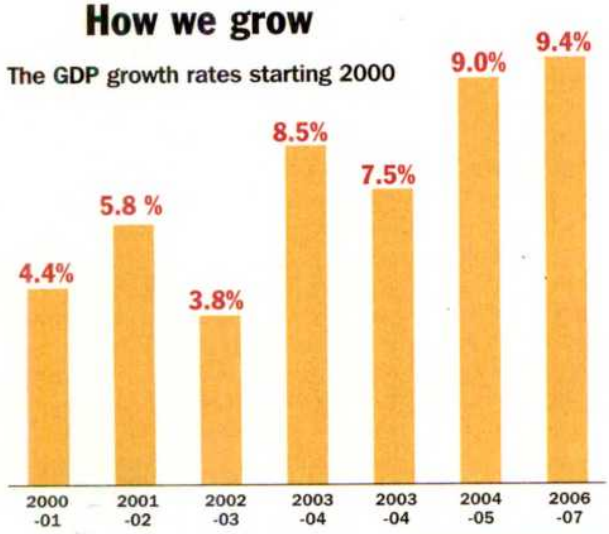


AMIT VERMA

TEN HURDLES TO

What will it take for India to reach and sustain a



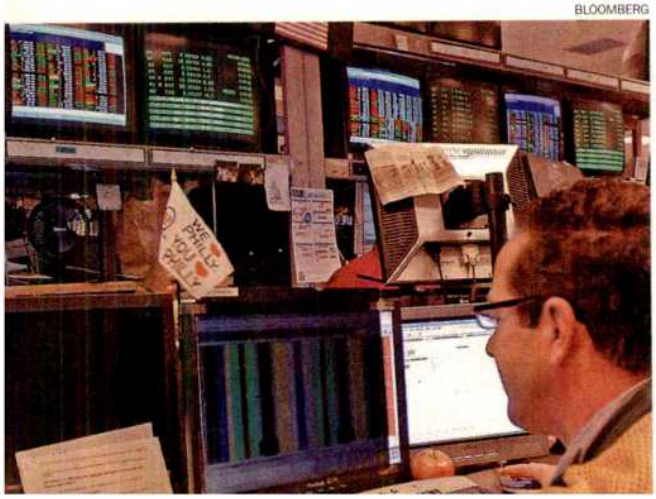
Source: Central Statistical Organisation

"A strategic inflection point is a time in the life of a business when its fundamentals are about to change. That change can mean an opportunity to rise to new heights. But it may just as likely signal the beginning of the end."

– Andrew Stephen Grove, Hungarian-American billionaire and former chairman & CEO of Intel

COME to think of it, Prime Minister Manmohan Singh came close to the inflection point a decade-and-a-half ago in 1991-92, when as the finance minister he had little choice but to embark on a forced, but thought out economic liberalisation plan. Fifteen years later, the fundamentals have changed, but clearly, India had lost out on the opportunity to achieve double digit growth. For fructifying the 10 per cent growth dream, India needs to get into mission mode.

BLOOMBERG



BLOOMBERG

AMIT VERMA

10% GROWTH

double digit growth rate?

By P. Vaidyanathan Iyer

The pace at which India is growing (averaging 8.6 per cent in the past three years) gives us another opportunity to bring rigour into policy making by clearing the muddle. In fact, such growth has come despite the country being governed by an unmanageable political alliance of a dozen-plus parties, rising protectionism in the developed world, peaking global oil prices and domestic infrastructure that sucks.

The addition of a mere Rs 40,000 crore or $10 billion to the national economy is what is required to bridge the gap between the current growth rate and the aspired 10 per cent. It seems simplistic and policy makers will have us believe it is achievable. India may do it the next year, but that doesn't make a trend. The challenge is in sustaining the growth rate at 10 per cent, year on year to bring large swathes of people — some 300 million — above the poverty line.

India@Risk 2007, a report by the World Economic Forum and the Confederation of Indian Industry, to be released during the India Economic Summit on 2-4 December, dwells on some of the risks that threaten to slow the pace, and suggests strategies to mitigate them. *BW* went a step further to identify the 10 major hurdles in the path towards the targeted sustainable growth rate of 10 per cent. The hurdles, not to be seen in isolation, range from India's poor talent pool that could nullify the much-hyped demographic dividend to the scourge of HIV/AIDS and the country's dreadful social and physical infrastructure. ■

EXECUTIVE SUMMARY

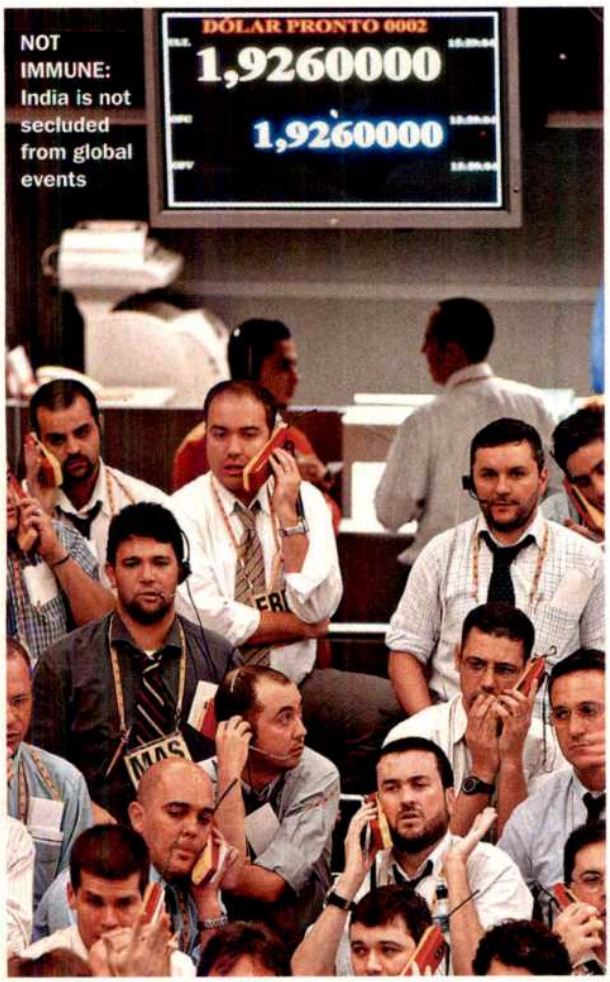
- Sustained 10 per cent growth rate can pull large swathes of people above the poverty line
- This requires bold steps by the government to overhaul infrastructural and regulatory bottlenecks

SANJAY SAKARIA

AP

SANJAY SAKARIA

1 Global shocks, domestic waves



NOT IMMUNE: India is not secluded from global events

BLOOMBERG

INDIA'S economic growth rate cannot forever remain immune to external shocks such as worsening of the subprime fiasco in the US or slowing down of the American economy. Global investors will continue to pull out of the US if the subprime crisis deepens and pour those investments into India. The deluge of dollar inflows will further strengthen the rupee, which has already appreciated 15 per cent this year. In September, even imports, which are becoming cheaper on the rising purchasing power of the rupee versus the dollar — plummeted, falling by 10.51 per cent. What is worrying is that non-oil imports were 0.15 per cent lower in September 2007 than a year ago. This means industries have low demand for inputs. The April-September growth rate for imports is down to 11.6 per cent.

The government's policy directed at warding off foreign capital inflows, relief for exporters and heightened intervention in the money markets using the Market Stabilisation Scheme may have eased the pain for the industry somewhat,

BLOOMBERG

2 Oil peaks, growth creaks

but it is unlikely to be able to cushion the blow completely. The only long-term solution is for the industry to make itself more competitive. K.V. Kamath, managing director and chief executive officer of ICICI Bank, said at a seminar in the Capital last week that the rupee would appreciate by at least a rupee or two every year for the next three years. "This would be one of the major challenges the industry will face and the only way to deal with it is to increase competitiveness," he said.

If there is one sector that keeps the government worried and the regulators extra wary, it is banking. "At the end of the day, banks provide the settlement systems," says a Reserve Bank of India official. "So, extra provisioning, and tightening norms for bank exposure to assets that are seeing huge price build-ups are precautions the central bank has to take." Of course, India derives lot of comfort from the robust build-up to its foreign exchange kitty of about $262 billion.

US demand for imports has begun to slow down. Fears of a recession in the US appear real now. The country-wise export data for April-May 2007 shows that the growth rate of exports to the US declined to 5.83 per cent from 17.87 per cent in the corresponding period last year. Since a US downturn is sure to impact several other economies dependent on it for growth, stimulus, diversifying to other export destinations will not happen overnight. A stimulus to domestic demand could be the way out for India, which in any case is not as export-reliant as, say, China. To be prepared for uncontrollable external contingencies will need India to add muscle to its domestic industry and make it more competitive. That would require unclogging of bottlenecks — regulatory as well as infrastructural. ■

THE continuation of a tight monetary policy in the light of higher inflationary expectation due to rising global oil prices is a huge downside risk to the sustainability of rapid growth in India —which imports 70 per cent of its crude oil requirement.

Decade-high interest rates have already slowed down India's industrial production growth to an 11-month low of 6.4 per cent in September. This growth rate is nearly half of that recorded at the same time last year. With this slowdown, the April-September growth rate has fallen to 9.2 per cent. Bloating monthly repayments of home and consumer loans on rising interest rates are leaving middle-class Indians with little money to splurge. As a result, the consumer durables sector decelerated 3.2 per cent during the first half of this year compared with a 15.2 per cent rise during the corresponding period of last year. The offtake of non-food bank credit has also slowed down to 5.3 per cent between April and 12 October this year as against 9.4 per cent during the corresponding period last year. Growth in the manufacturing industry — bulk of the Index of Industrial Production — slowed to 6.6 per cent against 12.7 per cent in September 2006.

Inaugurating the economic editors' conference on 14 November, Finance Minister P. Chidambaram counted hardening fuel prices amongst the biggest foreseeable formidable threats to India's smart economic growth. Since the UPA government assumed office in May 2004, the reference price for global crude, the Indian basket has more than doubled from $39.21 a barrel to $88.28. The more popularly quoted West Texas Intermediate came close to $100 a barrel this month. The coinciding steep appreciation of more than 15 per cent in the rupee during this period has soothed the blistering rise and prevented a slow-down effect on economic growth so far. But industries that do not enjoy the cushion of government-controlled fuel prices such as civil aviation are feeling the pinch.

"The fuel surcharge per ticket has increased by Rs 450 since April as the price of ATF has not fallen in a single month since then — which was not the case last year," says Chairman of low-cost carrier SpiceJet, Siddhanta Sharma.

Heavy taxation of petro products makes matters worse. Sales tax for ATF, for instance, is as much as 36-40 per cent in some states. Some of the taxes are ad valorem — the amount to be paid increases as the price rises. Of the per litre retail price of Rs 43.52 for petrol in Delhi, Rs 23.32 goes into the government coffers. About Rs 10 of the Rs 30.48 consumers pay for diesel in the Capital is taxes. Last fiscal, total collection from the sector, including dividends from state-owned companies, by the states and Centre stood at Rs 1,55,923 crore or 35 per cent of total tax revenue of the Centre. Since kerosene and LPG are heavily cross-subsidised, the Centre has been reluctant to reduce its dependence on petrol and diesel for revenue. The high rates, however, give the government some latitude to cushion the impact of the oil price hike to consumers by reducing taxes and taking a hit on its revenues. ■

3 Protectionist trends

AS one of the biggest developing economies, India is in quite an unenviable position. Not only does it have to address the inequalities in its billion-plus population, as it pursues a globalisation agenda, it also has to fight many a protectionist tendency of the developed world. Steady reforms over the past decade-and-a-half have started bearing fruit, but even today, some 300 million people live below the poverty line, according to Planning Commission estimates. Bulk of this population — 229 million or over three-fourths of India's poor — lives in villages.

"The problem is that money flows into regions that have good infrastructure, and this leads to rising inequalities," says Nagesh Kumar, director-general of Research and Information Systems for Developing Countries, an independent think-tank on trade-related areas. It is, therefore, imperative for the government to start focusing on lesser developed regions and let the more developed ones be on their own, he says.

The other aspect of protectionism is something India needs to address on a case-by-case basis. While these are tedious long-drawn processes, India has little choice but to tackle them, either bilaterally or in the World Trade Organization (WTO) forum. A good example is the way Brazil called the United States' bluff on its illegal cotton subsidies and won a case under the Dispute Settlement Mechanism of the WTO. It took more than two years, but Brazil fought it to the finish.

DILEEP PRAKASH

WELL-EARNED EDGE: The developed world cannot protect its markets from India

For the developed world — particularly the US, which is hit by recession — job losses is a touchy subject, a political reality and a big problem. Today's developed world was yesterday's developing world. "They cannot turn the table now and ask India to make its markets accessible while they try to block areas where we have huge strengths," says Kumar. ■

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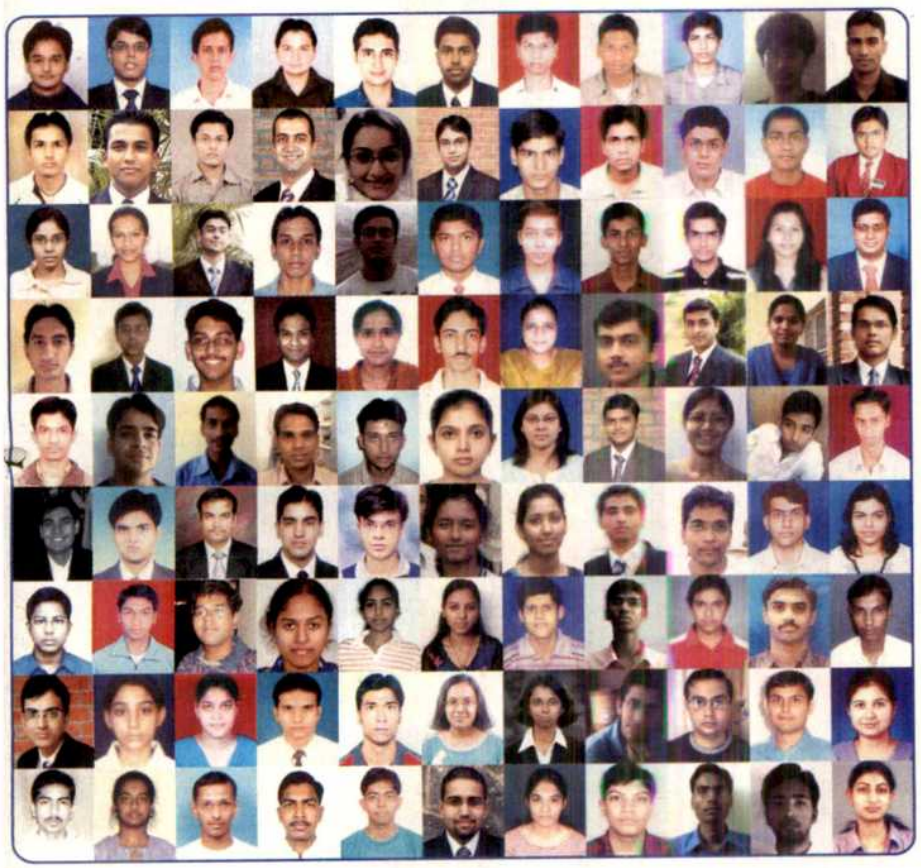

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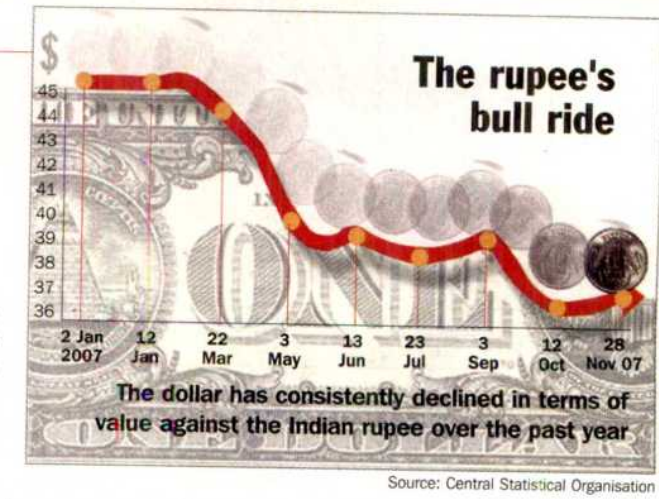
4 Sharp rise in rupee hurts



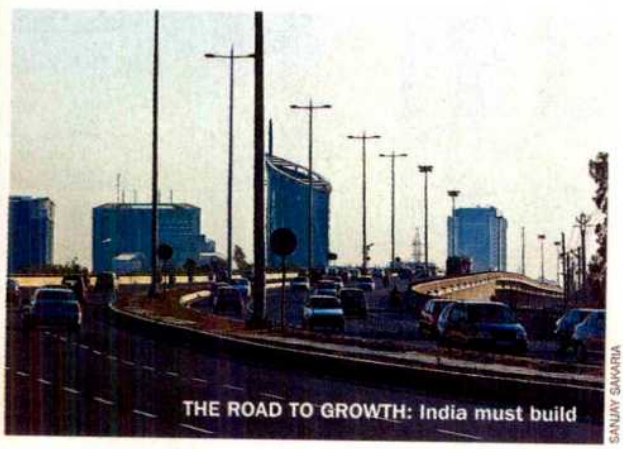
Source: Central Statistical Organisation

A RELENTLESS flow of portfolio money into the Indian stockmarkets has kept policy makers and regulators working overtime this year. The continuous rise in the rupee (due to the surge in dollar inflows) has hit exporters, especially of textiles and leather where the import content is nil or low.

While both Finance Minister P. Chidambaram and Commerce and Industry Minister Kamal Nath initially said Indian exporters must learn to live with an appreciating rupee, the loss of jobs — estimated to have crossed a million — in textiles, forced them to extend sops.

Policy responses to arrest the copious flows of dollar, such as curbs on external commercial borrowings and on the participatory notes route for investing in Indian stocks by foreigners have helped, but have had limited impact. Fund inflows continue to be buoyant and have topped $17 billion (Rs 68,000 crore) so far this year, which is already double of what the country attracted last year. The subprime crisis and fears of a recession in the US are only driving more global investors to markets like China, India and Korea, which are witnessing a strong growth phase. The rupee has risen sharply by 15 per cent this year on the back of such inflows. Given India's infrastructure deficit, such steep appreciation renders exporters uncompetitive in the highly price sensitive global market. In the first half of the current fiscal, India's exports were in single digits at 5.34 per cent compared with a robust 18-19 per cent growth in the corresponding period last year.

A rising rupee, of course, makes imports cheaper. India imports almost 70 per cent of its oil needs, and thankfully the import bill doesn't look scary despite skyrocketing global crude oil prices. In the longer run, though, the industry realises, it has little choice but to prepare itself for steady rupee appreciation. ■



THE ROAD TO GROWTH: India must build

SANJAY SAKARIA

5 Tardy growth in infrastructure

INDIA is yet to make building infrastructure a mission. Tardy development is hitting not just the country's real economy, but also exerting undue pressure on the monetary side. Inefficient ports and cramped airports put the corporate sector on an uneven keel when compared with China or the East Asian economies. No wonder, India Inc. adopts a defensive approach, lobbies against the rupee rise, and hates tariff cuts. For a 9 per cent average growth in the next five years, Finance Minister P. Chidambaram says, India needs $475 billion. Poor infrastructure, he admits, costs India 1.5-2 per cent in GDP every year.

"This is because India has grossly underinvested in physical infrastructure," says Arvind Mahajan, head of infrastructure and government practice at KPMG. "In social infrastructure — health and education, it is worse." To fast-track development, Vinayak Chatterjee, chairman of Feedback Ventures, says India first needs to put in place an independent infrastructure regulator. "The country needs to get out of the political economy as far as utilities and other infrastructure are concerned," he says. "It will otherwise be difficult to attract private capital in areas like water. An independent judiciary will go a long way in ensuring user price regime is not weighed down by political compulsions."

Government initiatives, such as viability gap funding have not worked largely because most states do not have a shelf of bankable projects, and also because clearances from a range of government agencies take forever. "The government must consider development as a criterion while devolving funds to them," says Chatterjee. "This will incentivise the laggard states to make efforts at attracting more private capital."

According to Mahajan, the government must create a pipeline of 'cooked' projects, with land acquisition, environmental clearances, etc. in place. "Greater transfer of learning from sectors such as roads and states such as Gujarat and Andhra Pradesh, where the regulatory environment is more evolved, to states with limited experience, will also help a great deal," he says. ■

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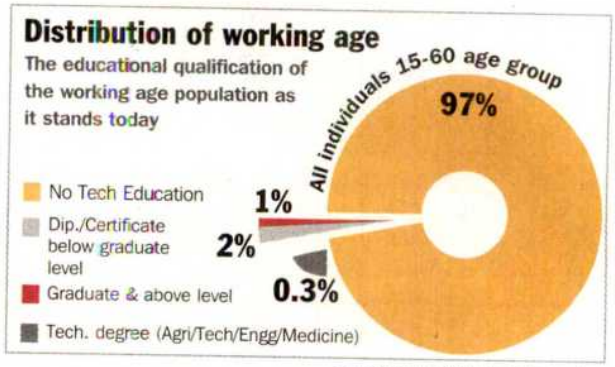
6 Demographic change

THE AGE OF INDIA: Learning will liberate

DILEEP PRAKASH



Source: Central Statistical Organisation

ONCE considered the biggest stumbling block in the country's march towards development, India's population is today being hailed as its most promising resource. By 2020, the average Indian will be only 29 years old (by 2015, 54 per cent of India's population will be in the 15-49 years bracket), compared with 37 in China and the US, 45 in West Europe and 48 in Japan, which would mean that while US will be short of 17 million people of working age, China 10 million, Japan nine million and Russia six million, India will have a surplus of 47 million working age people. This 'bulge' in the working age group is India's demographic dividend, which is meant to fetch significant economic benefits, including the competitive advantage in labour costs. But inadequate educational opportunities coupled with unemployment may turn this dividend into deficit.

According to a recent report by Bangalore-based TeamLease, the country's second largest private employer, around 53 per cent of India's employed youth suffer from some degree of skill deprivation. Manish Sabharwal, chairman of TeamLease says, "If our education system is not overhauled, the demographic dividend will turn into a curse because people will either be unemployed or have menial jobs that will not enable them to pull themselves out of poverty."

A recent study by Nasscom says while 3 million students graduate from Indian universities each year, only about 25 per cent of engineering graduates and 10-15 per cent of general college graduates are considered suitable for employment in the offshore IT industry, which faces a shortage of 500,000 professionals by 2010. ■

BLOOMBERG

7 Pause in policy

THE biggest casualty of political uncertainty and fragmented mandate, like the one May 2004 elections resulted in, is policy reforms. While there has been debate on rising inequalities post the disastrous India Shining campaign of the previous NDA government, the Left parties have stalled many economic legislations and policies aimed at achieving double digit growth rates. Be it reforming the pension sector, privatisation or liberalising FDI norms, regional parties have launched a crusade against such reforms for political mileage.

Leaders such as Mayawati, who shut down retail stores of domestic entrants such as Reliance, and Karunanidhi, who stalled a small public offer by Neyveli Lignite, have left bureaucrats frustrated and brought the government machinery to a halt. The recent face-off between the government and the Left on the civilian nuclear agreement almost led to a situation where snap polls looked certain. "Such events bring reforms to a standstill and potentially impact growth prospects," said former Finance Minister Yashwant Sinha in an interaction with *BW* earlier.

A secretary handling an important economic portfolio in the government says, except for routine file-pushing and fire-fighting, nothing of much consequence happens. "Next week, budget meetings will commence," he says. "This being the last full Budget of the UPA government, you can expect a spectacular expenditure programme." But a rise in fiscal deficit will only slow down the growth engine in the long run. ■

Often, a fresh angle is the solution.
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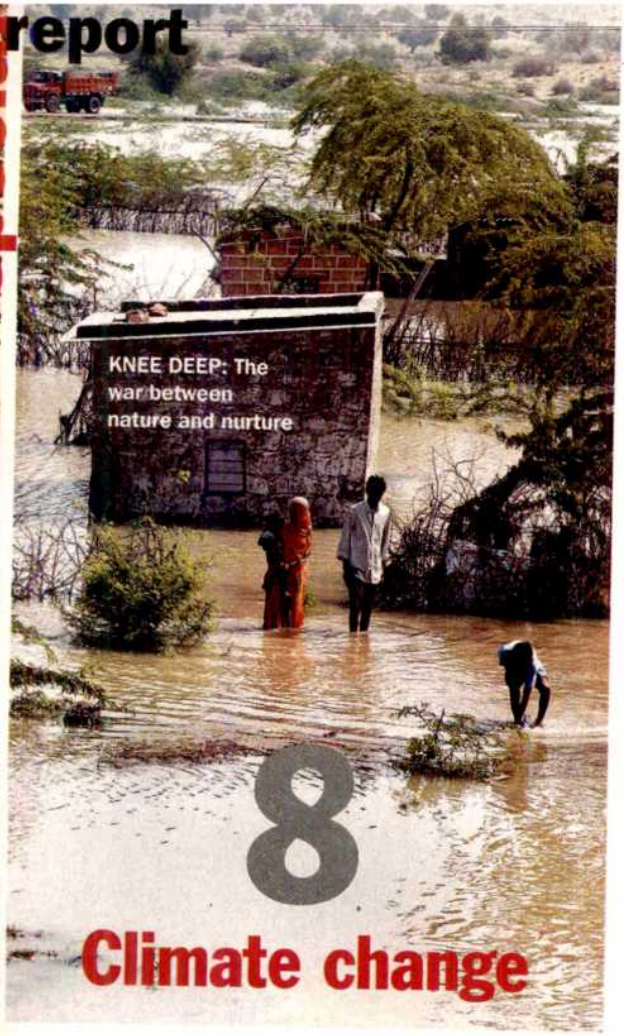
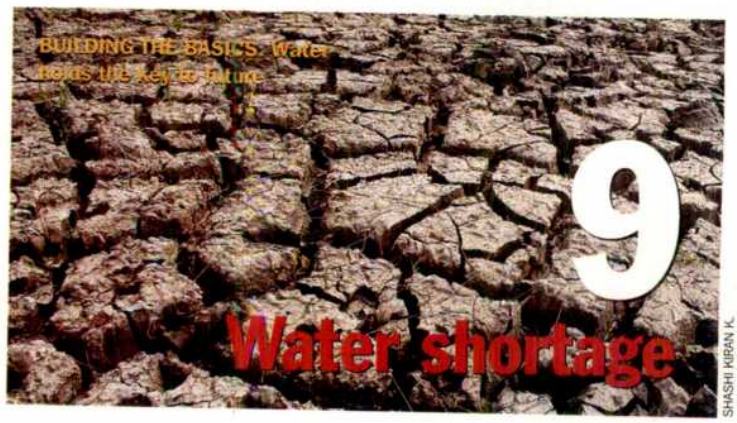


EARLIER this week, India fumed at the UN Human Development Report that ranked it among the world's top four carbon emitters and sought 20 per cent cuts in emission by 2050. Not surprising since India's increasing energy demands will be met by coal, which emits greenhouse gases. According to recent UN Framework Convention on Climate Change reports, by drying up major river basins and altering rainfall patterns, global warming will significantly affect agriculture and forestry in India, threatening livelihoods and food security. "Crop failure can cause distress through scarcities and higher prices in unaffected areas too," says Madan Sabnavis, economist at National Commodities Derivatives Exchange. "Droughts and diseases cause considerable population migration in the medium run, creating a different set of economic and social problems."

According to the UNEP, around $85 billion will be invested in renewable energy in 2007. "Renewable energies are no longer subject to the vagaries of rising and falling oil prices," says UNEP Executive Director Achim Steiner. "They are becoming generating systems of choice." While cutting emissions is a way forward, concerns of costs in using clean technologies remain. "Return on investment in green technologies is not immediate and the benefits are uncertain," says Prema Shrikrishna, head of CSR at Bombay Chamber of Commerce and Industry.

The spotlight is on energy efficiency, given that since 1990, half of all new energy demand worldwide is met simply by improving efficiency. This saved an estimated 3 billion tonnes of oil worth $6 trillion. If this continues to improve, the money saved by not spending on oil could easily outweigh the $7 trillion of GDP that the world could lose to climate change in a worst-case, business as usual scenario. ■



SHASHI KIRAN K.

THE former UN secretary general, Kofi Annan has famously warned that the next world war would not be waged over oil, but over water. Fresh water is fast becoming the scarcest natural resource and it is estimated that by 2050 two-thirds of the world's population will be short of water.

With 18 per cent of the world's population and only 4 per cent of the water resources, India is especially vulnerable to the increasing stress on fresh water availability. Its main source of fresh water supply, the Himalayan glaciers, is under serious threat from global warming and it is estimated that the loss of glacier-melt water could reduce the Ganga's flows between July and September by two thirds, causing water shortage for 500 million people and 37 per cent of the irrigated land. Cities with population of over 10 million face major water and sewerage problems. The situation could be exacerbated if China goes ahead with the planned diversion of Brahmaputra river, close to its source.

"The problem of fresh water scarcity is very real and very acute," says K.P. Nyati, CII's principal advisor. Besides the obvious health and humanitarian implications, the problem, if unchecked, could also become critical for the growth of the economy. "Fresh water scarcity would mean that many industries will have to relocate to coastal zones, where they will have to set up desalination plants, which will not only increase the cost of water but also create other ecological problems," says Nyati.

The government needs to think about the subsidies given to the agricultural sector, which uses 85 per cent of the available water, says Nyati. Increasing rate of urbanisation, unchecked development and global warming are the biggest threats to freshwater supplies in the country. ■

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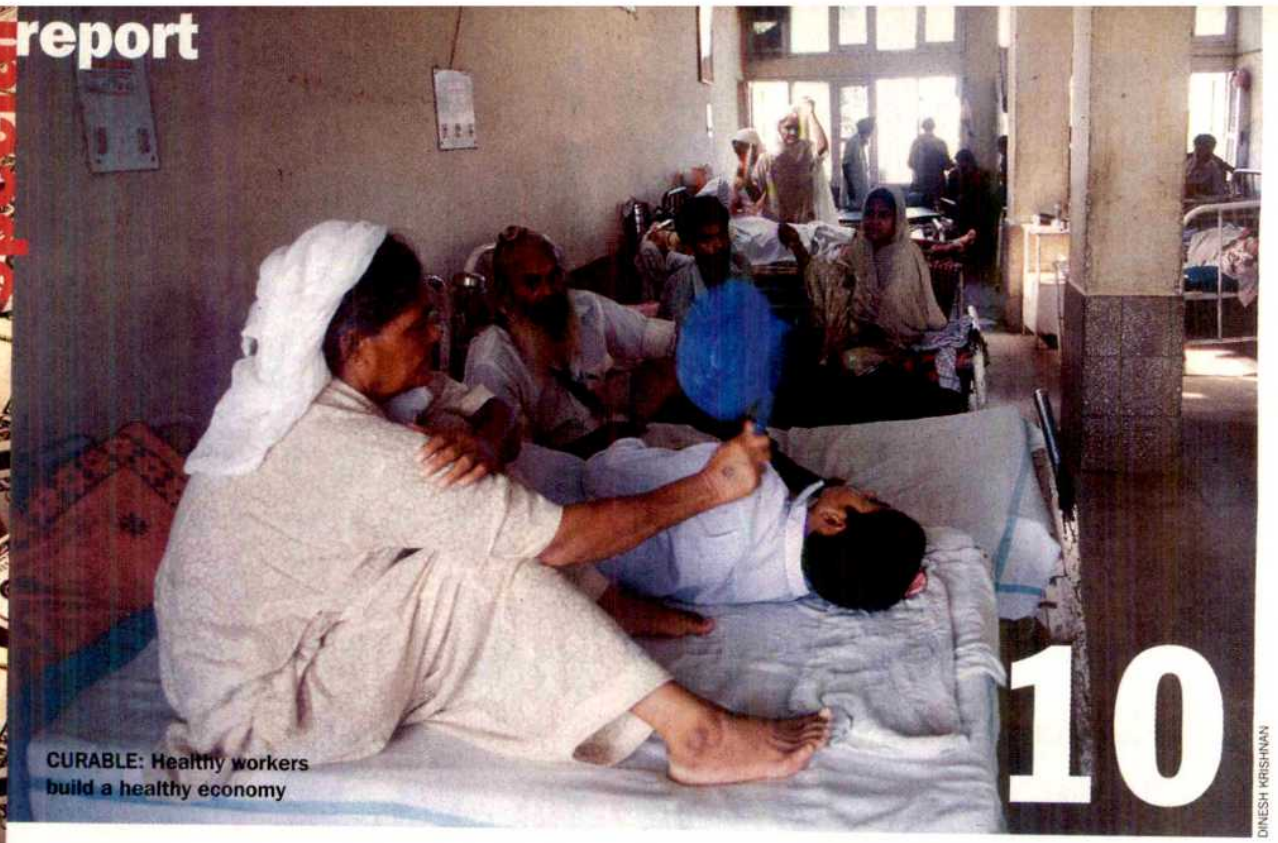

CURABLE: Healthy workers build a healthy economy

DINESH KRISHNAN

10

Killer infections

INFECTIOUS diseases are a constant threat to India's economic progress. Revised estimates by the United Nations suggest India has 2.5 million HIV/AIDS affected people, half of what was estimated earlier. But in absolute terms, it is still not to be sneezed at. "The threat is large," says Afsar Syed Mohammed, technical specialist of HIV/AIDS in South Asia at International Labour Organization. Mohammed says unless HIV/AIDS prevention programmes are upscaled, it is "bound to affect India's economic growth in the long run".

Worryingly, HIV/AIDS is by no means the only infectious disease that is a risk to the sustainability of India's economic progress. Tuberculosis, dengue, malaria and polio are other threats. TB, for example, kills more than 1,000 people a day in India, a third of the global number, according to the government. And three-fourths of the deaths are in the 15-54 age group, the most productive years!

India also wages a war with poliomyelitis, an extremely contagious disease affecting children under five. Polio is incurable, and can cause paralysis. Old threats are resurfacing too. Chikungunya, a viral, missing since the 1970s, has resurfaced, killing 125 in Kerala, in 2006.

Corporate India needs to be at the vanguard of battling these diseases, if nothing else, then to protect its own interests. A continuous stream of healthy, young talent is important for India's growth engine to keep chugging at the current pace, if not faster. According to the WHO's Macroeconomics Report of 2001, each 10 per cent increase in life expectancy at birth is associated with a rise in economic growth of around 0.3-0.4 per cent. TB alone causes productivity losses to the order of $13 billion a year, according to the government.

Sadly, the corporate sector's response has not been wholly adequate, say social workers. "Several corporates still feel HIV is a problem of only blue-collar workers," says Mohammed. "This kind of misinformed denial can be distastrous." Convincing companies is not easy. "Some of them don't even list this as priority," says Ravi Subbiah, team leader at Population Services International (PSI), an NGO. One way PSI is hoping to make headway is to set the example of large corporates that many small companies want to become. The other is to charge them for holding workplace intervention programmes as opposed to funding these with outside money.

Alarmingly, the profusion of diseases might also be creating a clamour for funds and other resources. For instance, the government's budget for first-line anti-TB drugs has fallen from $12 a patient in 2004 to $10 in 2006, according to the Society for Social Pharmacology, a Kolkata-based NGO. This has led it to suggest that TB might be getting "somewhat overlooked" due to the overwhelming attention HIV/AIDS and polio claim. This year, the government will spend Rs 1,300 crore on polio immunisation. Given the constraints that the government is facing, roping in the private sector is imperative. ■

Plaguing the country

Estimated number of infected people

DISEASE	NO.OF CASES
AIDS	2.5mn
POLIOMYELITIS	676
TUBERCULOSIS	14mn
MALARIA	1.04mn

Source: *BW* Research

With inputs from Pierre Mario Fitter, Rajesh Gajra, Gauri Kamath, Puja Mehra, Sumati Nagrath and Vishaka Zadoo

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Doron Levin is a columnist for Bloomberg News

Toyota in Green crosshairs

JUST moments ago, or so it seems, Toyota Motor Corp. was the darling of environmentalists, basking in kudos for creating the gasoline-electric hybrid Prius, a car long on mileage and looks. How quickly bouquets can turn into barbs. Recently at a press conference, Bob Carter, head of Toyota-branded vehicles, introduced the automaker's new, larger Sequoia sport-utility vehicle (SUV). A man pretending to be a journalist (actually a representative of the Rainforest Action Network), with his video camera aimed at Carter, the activist demanded: "Sir, why not pull Toyota off of the California (dealer) lots?" Carter, forgetting his media training, shoved the man's video camera to the ground. Police officers eventually escorted the imposter away.

I can hardly blame the Toyota executive for losing his cool. It must be maddening to go from hero to goat in a blink. As Toyota inches towards being the world's largest automaker, it's getting a tutorial in what it has been like to be General Motors, the longtime focus of social critics and self-appointed reformers.

While Toyota was introducing its most fuel-hungry Sequoia ever, GM was introducing its Chevrolet Tahoe SUV, powered by a gas-electric hybrid. The Tahoe hybrid is supposed to improve the vehicle's fuel economy by 50 per cent in the city. Eco-friendliness is replacing horsepower as a tenet of automotive marketing, and GM wants to burnish its image to stay ahead of Toyota. But being the leader is a mixed blessing.

The target on the back of No. 1 is especially tempting to those who view personal transportation as a form of villainy. In bygone days, GM took its lumps from Ralph Nader's safety campaigns. Toyota now has a Website (*www.truthabouttoyota.com*) that accuses the automaker of 'talking out of both sides of its mouth when it comes to increasing fuel economy'.

But the latest anti-Toyota campaign is more than just the price the automaker pays as it nears leadership status. Any automaker is liable to be slimed these days by activists simply because they build vehicles that burn fossil fuels, which are blamed for global climate change.

Toyota's crime seems to be its support of federal regulation that would raise Corporate Average Fuel Efficiency (CAFE) standards, though not as high as the fringe environmental movement favours. Voltaire said the enemy of the perfect is the good.

The US Senate has proposed legislation that would raise the standard by 2020 to 35 miles per gallon (mpg), combining the categories of cars and light trucks. The rule now requires 27.5 mpg for cars and 22.2 mpg for light trucks. The House of Representatives has been discussing an average increase to 32 mpg to 35 mpg, with a critical difference from the Senate's proposal: car and light truck categories would remain separate, making the standard easier to achieve.

Neither standard is as effective as a broad-based energy tax to reduce consumption. The auto industry has given up trying to explain that argument to lawmakers and the public. Toyota's executives in the US think they could comply with the stricter CAFE rules; but the automaker has decided to cast its lot with Detroit.

A few years ago, US automakers invited Toyota to join the Alliance of Automobile Manufacturers, a then newly constituted industry group representing the 10 largest vehicle makers in the US, including GM, Ford Motor and Chrysler. Previously, Toyota had been excluded.

No doubt some at Toyota have wondered whether joining Detroit was wise. Detroit automakers are apt to overlook their alliance with Toyota and grumble about the weakness of the Japanese yen compared with the dollar, insinuating that Japan is engaging in currency manipulation that unfairly benefits its auto industry.

The US environmental movement's pressure tactics are designed to peel Toyota from the US carmakers and thus weaken the industry's bargaining position with respect to fuel standards. It isn't likely to happen soon. ■

As Toyota inches towards being the world's largest auto-maker, it's getting a tutorial in what it has been like to be General Motors

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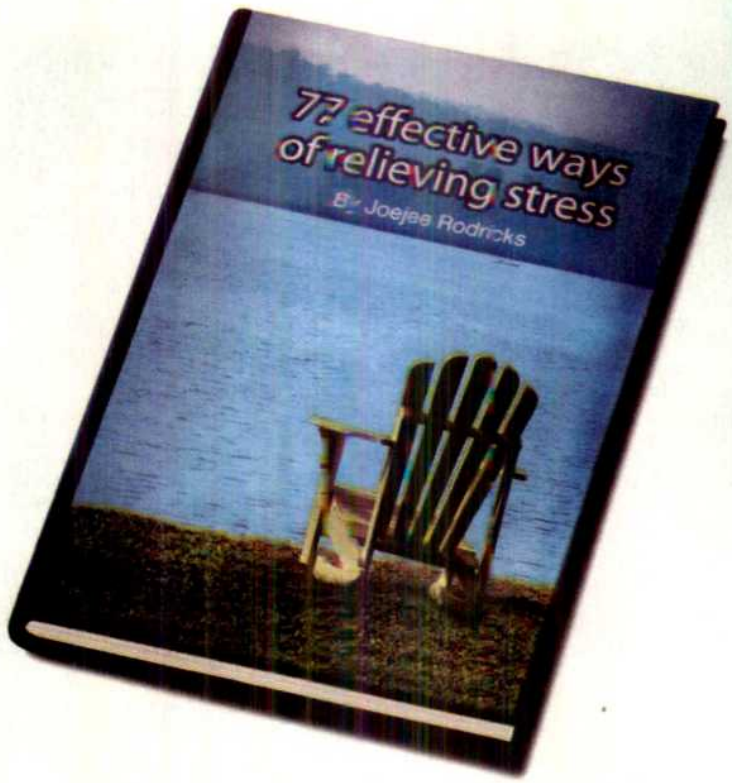

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The changing climate

Photographs: TRIBHUWAN SHARMA

LEADING THE WAY: (from left) Rajeev Karwal of Milagrow, Subhashish Bandopadhyaya of IDF, Jehangir S. Pocha of *BW*, John Thomas of FICCI and S. Venkatesam of Energy Plantation Projects India

THE Indian Confederation of NGOs, iCONGO, held its second annual Right-Every Wrong conclave on 25 and 26 of November. The focus of this year's conclave was global climate change. The programme for the conclave included several presentations, discussions and workshops centred around various aspects of climate change. These included the impact of climate change on areas such as industry, economy, ecosystems, agriculture, rural migration, forest conservation and watershed development.

A panel discussion on the impact of climate change on business discussed the need for a better energy policy. John Thomas of the FICCI, said that 85 per cent of energy in Indian industry was used in energy-intensive fields such as iron and steel production and paper.

There was also a suggestion to decentralise the generation of power to smaller, village or community level units. S. Venkatesam, the chairman of Energy Plantation Projects India, said that financial institutions must begin funding such projects as they not only relieved the national grid but also ensured that rural communities had access to reliable sources of power.

TRUE FIGHTER: Leo Rebello, awardee of Karamveer Puraskaar

The conclave ended with the awarding of the Karamveer Puraskaar, the iCONGO National People's Award for Social Justice and Action. Ad guru Alyque Padamsee and social activist Leo Rebello were conferred with the Karamveer Puraskaar for Lifelong Fight for Social Justice and Action. Rahul Bose, Remo Fernandes and Sushma Veer, the founder of NGO Akansha, were given The Artist for Change Awards for using their celebrity status to increase visibility of important social causes. The Karamveer Puraskar for Lifetime Achievement went to M.S. Swaminathan for his work on agricultural issues.

The iCONGO Corporate Citizen in CSR award went to Mamta Saikia, head of CSR at Bharti Telecommunications. The iCONGO Corporate Citizen in IT was awarded to Sridhar Reddy, founder of the Pioneer Group. ■

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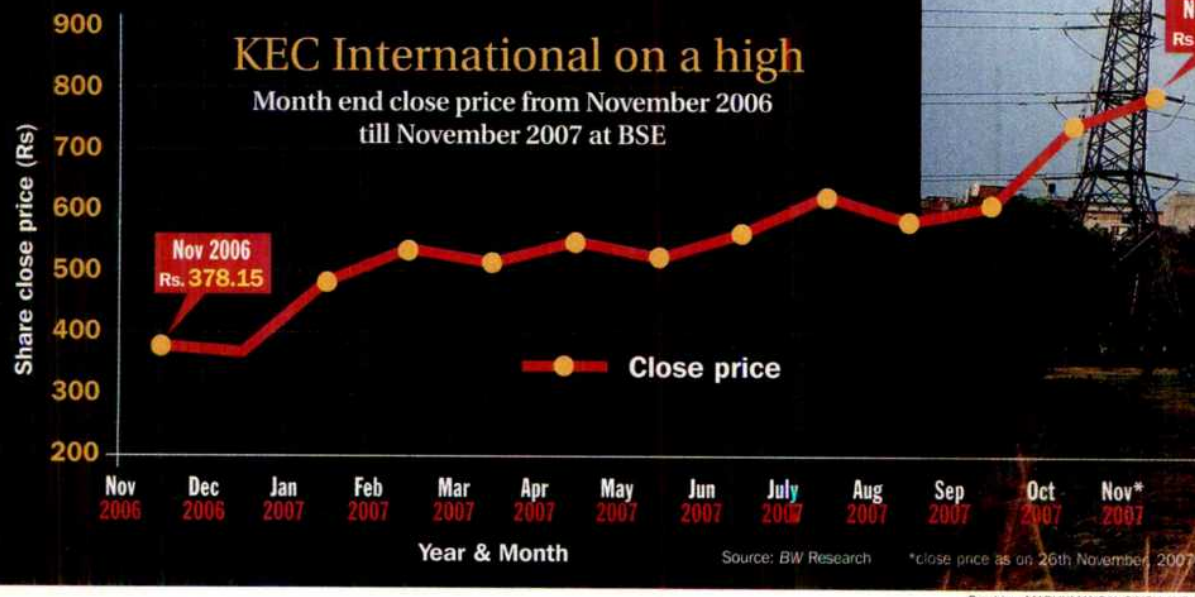


Graphics: MADHUMANGAL SINGH AND NEERAJ TIWARI

BAIJU KALESH

ALMOST a decade ago, KEC International, a company that builds transmission towers to carry electricity from power stations to consumers, was written off by investors. Its share price was abysmally low at Rs 4; employee morale suffered as roughly 2,000 employees had to wait for their monthly paychecks; many projects had large cost overruns and ended up paying liquidity damages to customers for time overruns. The market cap of the stock dropped to just Rs 30 crore, making the company an easy target for a corporate raider or takeover tycoon.

Soft spoken Harsh Goenka, the chairman of the RPG Group that makes tyres and runs retail chains under brand name Spencers, of which KEC is a part, was chased by lenders to pay up the loans that KEC defaulted on. The company debt, at Rs 772 crore, was way above its Rs 530 crore in revenues. Losses and penal interest charges of Rs 483 crore slapped on by lenders were crippling the company. Investors had stripped the stock off their portfolios and shareholders kept crying foul at the company's annual shareholder meetings.

And then there were the vendors. Managing Director and Chief Executive Officer Ramesh Chandak bore the brunt of their ire as payment of their dues was delayed. Chandak, who relocated to India after managing finances of a vegetable oil maker in Chicago, had just been appointed president of the troubled company and was given a free hand to salvage the 60-year-old transmission tower maker that had been acquired by the Goenkas. They relied on Chandak's experience as a senior executive in Raychem RPG, a joint venture with America's Tyco. Chandak, a chartered accountant, says "all of us lost hope".

Fast forward to 2007. KEC International's share price hit an all time high of Rs 785.10. To get to a critical size so that it could control the raw materials (steel, zinc, conductors, insulator and fittings) used in all its businesses, the group recently merged RPG Transmission —which makes electrical transmission towers — and Nitel — that is fully owned by the Goenka family and provides turnkey solutions in building communication networks — with KEC International.

The merged entity combined three

TOWERING OVER: KEC international claws its way back up

TRIBHUWAN SHARMA

businesses with complimentary assets and skills to give geographical reach, cost and operational synergies, and commercial benefits. KEC now has the largest capacity to make transmission and telecom towers, access to in-house production for telecom towers and an annuity income from a build-own-operate (BOO) infratructure business. The transmission tower maker has transformed itself into an infrastructure company.

A 21st-century Company

KEC International, originally a fabricated materials supplier (then known as Kamani Engineering Corporation), today boasts of the largest order book of a tower-building industry of Rs 5,300 crore, building transmission towers both in India and abroad; today its inter-corporate borrowing is zero. The average interest rate it pays is less than 10 per cent compared to its troubled days when it paid 36 per cent just to keep the company afloat. The turnover has risen four-fold to Rs 2,538 crore, and it made Rs 169 crore in profit for 2006-07.

On the third floor of the seven-storeyed RPG headquarters known for its sliding architecture, Chandak sits in a small corner, a tired warrior who has just returned after a victorious battle. A painting of a desert with sprouting green shrubs presented by his art-collector chairman Goenka hangs on the wall. His eyes light up as he tells the story of what went behind KEC's turnaround story. He has just prepared the company's latest resumé to present to financial investors.

"We made great mistakes and learnt our lessons hard," he reminisces of the early days of 2000 when KEC had to sell its plush 60,000-sq ft office in the suburbs to strike a one-time Rs 79-crore interest settlement with lenders. The company chose a rented place in the suburbs to free up the cash in the building and now even pays rent for the space leased from its parent at its headquarters. Chandak and his senior executives chose to travel by economy class, compelled to save every penny.

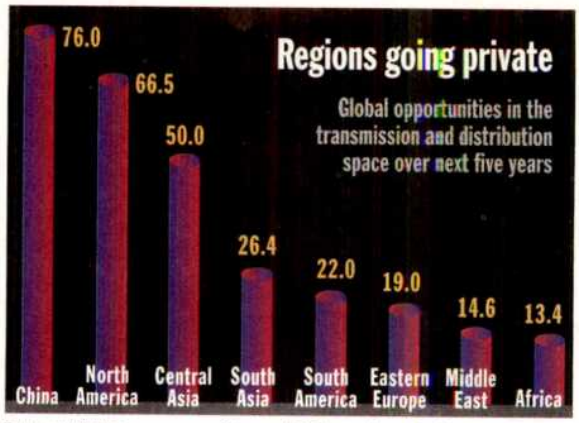
Entering New Markets

From just winning a bid to fattening the company's order book, KEC shifted to a policy of 'no tender without a margin', a desperate strategy to make money. And KEC acted fast to execute its book because the default penalties were very high abroad. An internal team was formed to access risks of the country and

the customer. Once they bagged the order, it was the team's responsibility to manage the risk. The strategy worked and the order book shifted from domestic (30 per cent) to international (70 per cent) and the company added 12 new customers in the past six years in 12 countries to broaden the customer profile to 40.

KEC even ventured into North America, Africa, the Middle East and Central Asia (see chart 'Going Places' on page 63). Unlike KEC, rivals such as Kalpataru Power focused on India rather than overseas. Manish Muhnot, an executive director with Kalpataru Power that has Rs 3,300 crore in orders to execute, echoes Chandak's views on the upside of the transmission sector.

True, Muhnot's order book, unlike KEC's, is 70 per cent domestic. But KEC was not alone in building up its overseas order book. New entrants such as Kalpataru, Jyothi Structures and Larsen & Toubro are catching up fast, also bagging orders as several countries in the Middle East and Africa begin privatising their transmission lines.



Figures in $billion

Source: ABS Energy Research, Accenture Research

Along with emerging opportunities, KEC faces tough competition from rivals; from 5 players in India and 15 companies from abroad. New opportunities come calling: in power distribution, railway electrification and telecom infrastructure. Muhnot says the margins depended on countries in which the company bagged the order. Kalpataru, whose mainstay is construction of high rise residential and commercial towers, reported a net profit of Rs 171 crore on a turnover of Rs 1,567 crore.

Cutting The Apron Strings

Along with the operations and finance, KEC also reworked its balance sheet. The group, built by Harsh's father R.P. Goenka, known in the 1980s as the takeover tycoon, relied on traditional cross-holdings between operating and investment companies to spread promoters' ownership to fend off a take-over. But much water has flown under the bridge; Harsh Goenka untied these cross-holdings in the group, and KEC was one of them.

Bharat Parekh, an analyst with Merrill Lynch, said recently in a research report that Power Grid Corporation of India, India's largest transmission com-

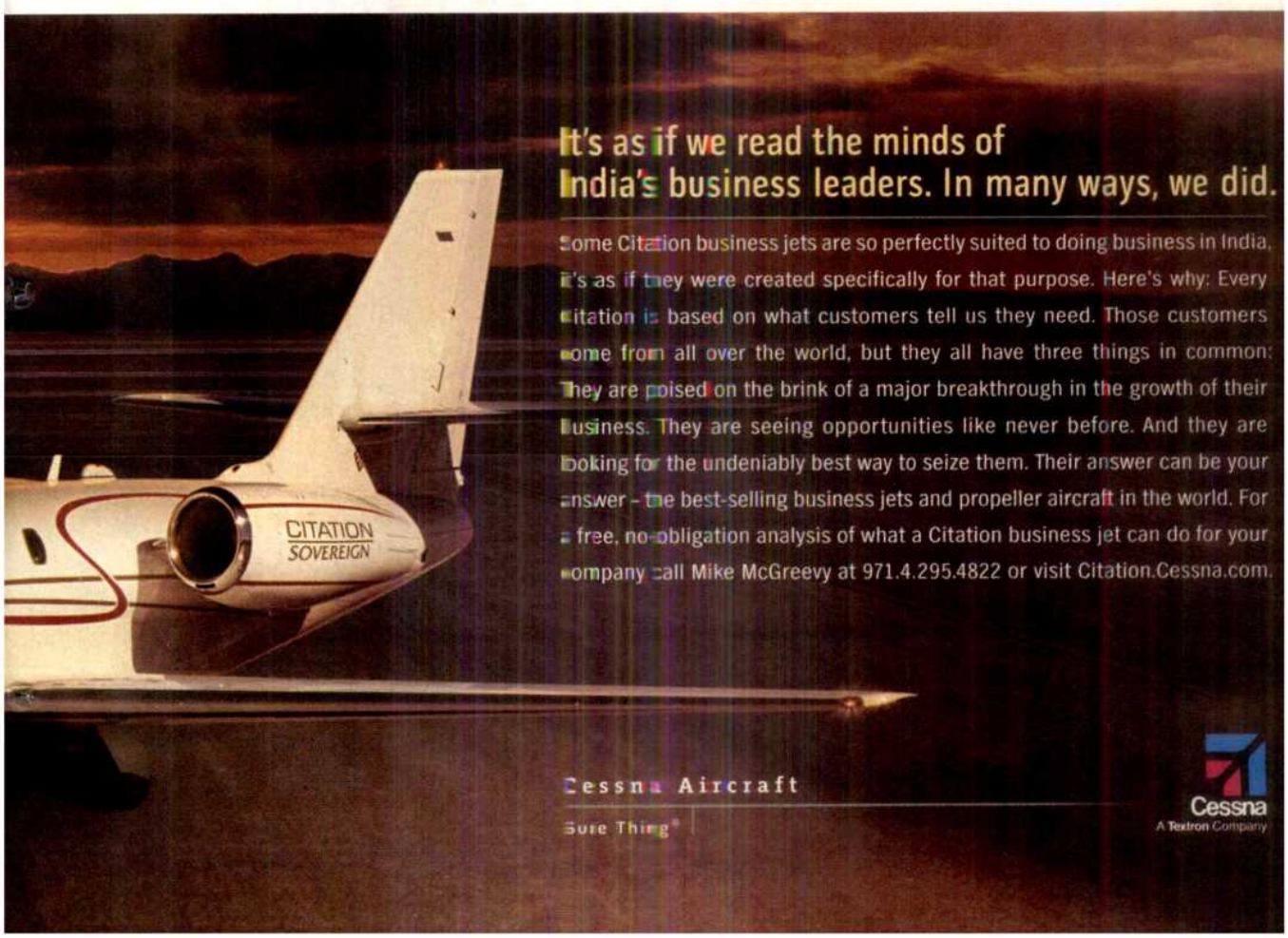
pany, has an investment plan of Rs 55,000 crore by 2012. The public offer that is expected to raise Rs 16,800 crore-19,900 crore is aimed at investing Rs 12,700 crore for 15 transmission projects to more than double its capacity to 37,200 megawatts (MW) in five years.

KEC designed a strategy to grow its engineering procurement contracts (EPC) and asset ownership using the BOO model. For EPC, the merged tower businesses of RPG Transmission and Nitel cater to demand, including that of telecom companies that connected 6.5 million subscribers a month. Clients include Tata Teleservices, Reliance Communications, MTNL and Airtel. The company also ventured into building substations and the electrification of rail lines that demanded critical skills.

The telecom explosion has been a great boon also. The business originally being done through Nitel is expected to grow rapidly, as telecom companies desperately add more towers to connect new subscribers and to venture into the hinterland. Analysts say telecom companies need more than 250,000 telecom towers in a decade to connect 500 million subscribers by 2025.

A human resource initiative by the group to hire management graduates to groom them for key positions and fill up top decks at KEC — which lost key functional heads to rivals — aided Chandak in grabbing them from premier management schools. Chandak, who holds just one share of the company so he may address his 40,000 shareholders at the annual meeting, also recruited 100 fresh engineers enabling him to fulfil the order book on time, and default penalties. The strategy worked well: costs are down and margins up to 10-12 per cent.

Domestically, the government's commitment of further reforms in the power sector promises more opportunities. Last month, Anil Razdan, the union power secretary, assured US investors who accompanied US Treasury Secretary Henry Paulson that projects worth Rs 60,000 MW would be added by 2012. The national grid, through which generating companies distribute to states, will more than double its capacity to anywhere between 37,000-40,000 MW from 16,000 MW, by 2012. India needs to add power capacity by 82,000 MW in five years to light up the homes of 600 million people who have no access to electricity. The secretary said the government has a successful model to mitigate the risks of many big projects, and then transfer it to private parties. Now Chandak has time, money and opportunity on his side. ■



Stopping short

BAIJU KALESH AND RAJESH GAJRA

IN March-April 1982, a bunch of powerful Kolkata brokers bore the brunt of the then Reliance Industries (RIL) Chairman, Dhirubhai Ambani's ire when they tried to sell 1.8 million shares of RIL short on the Bombay Stock Exchange. RIL was then, as it is now, a heavyweight in the 30-share BSE Sensitive Index (Sensex). The price of the RIL stock crashed by 7.7 per cent in a single day.

Historian Gita Piramal in her book *Business Maharajas* says that the then doyen of corporate India loaded his war chest with resources from non-resident Indian friends and bought up all the short-sold shares. To the brokers' dismay, Dhirubhai asked for the physical delivery of RIL shares from the short-sellers. The bear cartel's plan boomeranged at that second stage, when Dhirubhai insisted on taking delivery.

Unable to carry forward these shares, the country's oldest stock exchange was shut down for three days, for the first time in 80 years. Member of the BSE went to Dhirubhai's residence to intervene and calm him down. Since then, no bear has ever dared to short sell RIL. It's the kind of story that is fodder for conspiracy theorists.

RIL's sale of its sister company's shares has raised a lot of eyebrows and started rumours

A Sense Of Déjà Vu

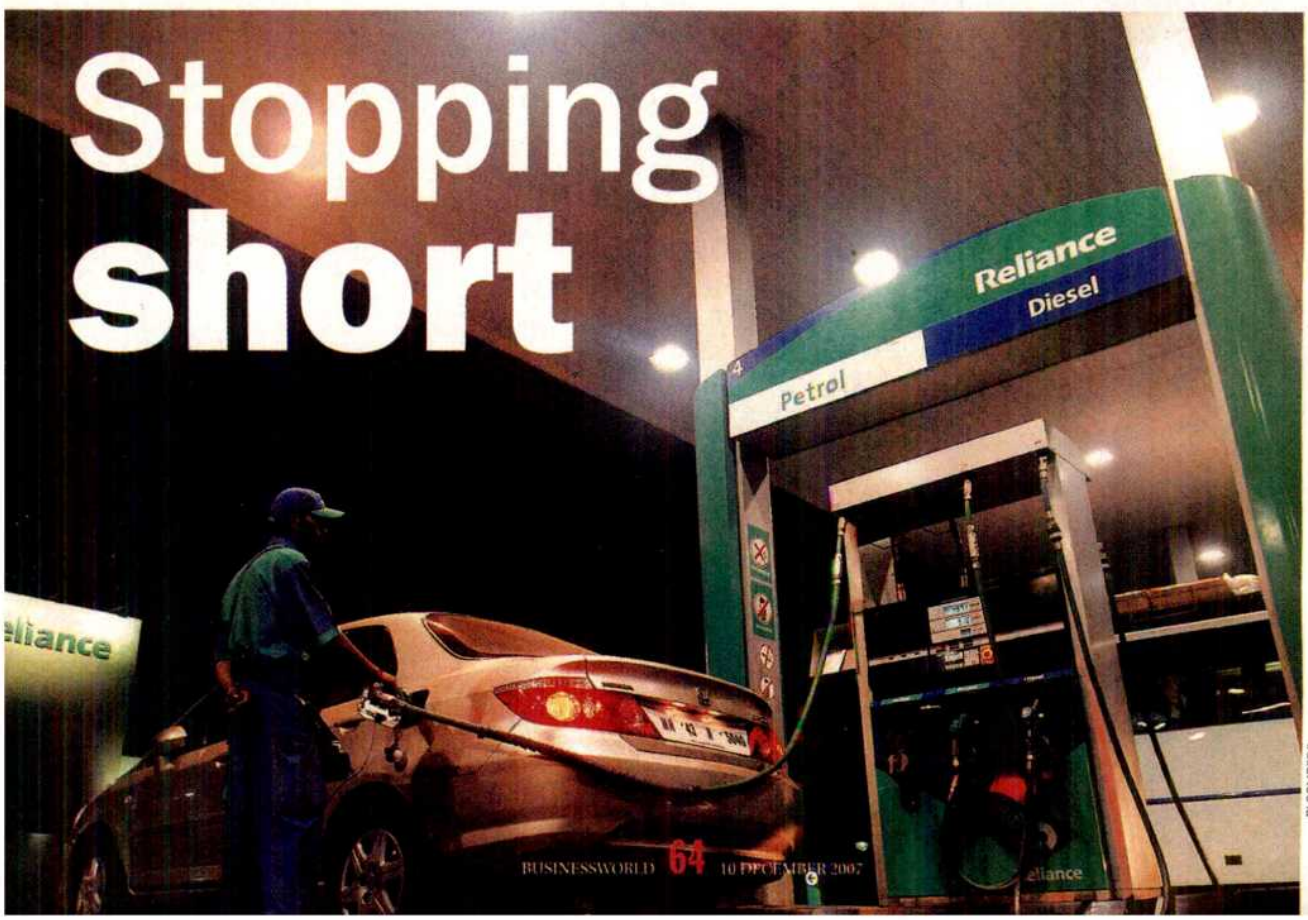
Two decades later, history appears to have repeated itself, albeit on a smaller scale. The shares of RIL's sister company Reliance Petroleum (RPL) — which is building a 27 million-tonne refinery — was besieged by a series of short sales in early November that brought its share price down from a high of Rs 295 on 1 November to just Rs 202 on 28 November. Earlier, in just six trading sessions between 24 October and 1 November, the stock had gained an astonishing 54 per cent, from Rs 190 to Rs 295 a share.

The spike in the price of RPL shares was attributed to media reports that US energy giant Chevron Corporation was interested in increasing its stake in RPL — from the 5 per cent stake it had acquired in 2005 at Rs 60 a share, ahead of the company's initial public offering, to 29 per cent. The price volatility in the intervening period has prompted the Securities and Exchange Board of India (Sebi) to initiate a review of the trading to assess whether its insider trading rules had been violated or the price had been manipulated.

But some smart contrarians chose to go the other way. They seemed to have gotten a whiff of RIL's plan to sell part of its holdings in RPL into the market, and sold the stock short, both in the futures and cash markets, at between Rs 220 and Rs 260. In accordance with Sebi guidelines, RIL issued a press statement on 23 November that it had sold roughly 4 per cent of the company over several days; the average price amounted to Rs 225 a share.

Trading Winds

There has been a lot of speculative action in the futures markets. Daily volume of trading in RPL futures contracts ranged between 100 and 200 million



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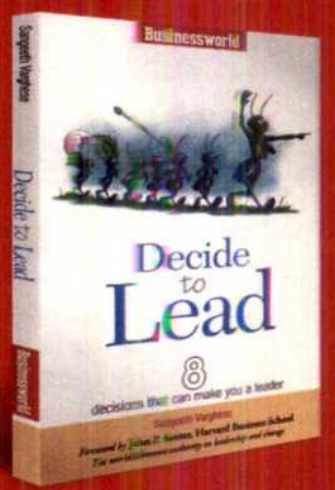

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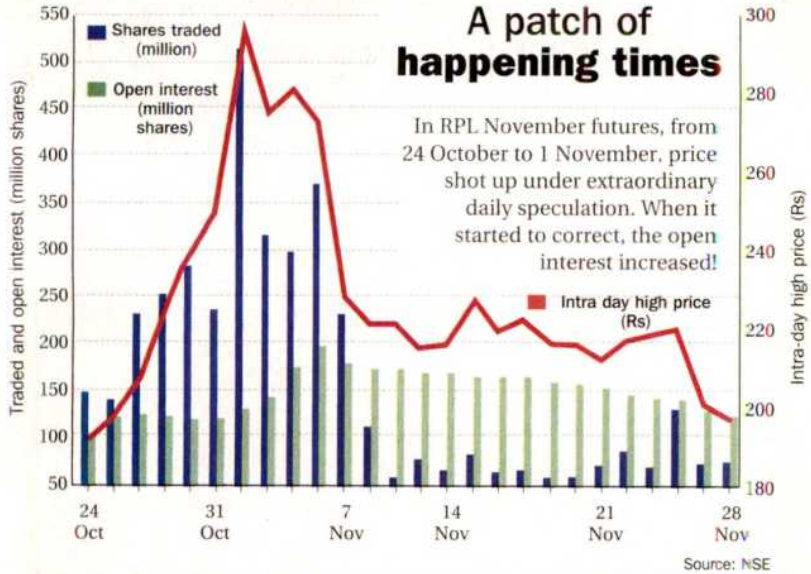


The tale of two sisters

April 2006: Chevron picks up 5% stake in RPL from RIL

Oct 2007 first week: Price in Rs 160-180 range. Goldman Sachs downgrades stock to 'neutral'. Citigroup downgrades it to 'hold'. They say valuations deters re-rating on the upper side.

Oct 24-Nov 6: Rumours that Chevron will up its stake from 5% to 26% in RPL. Price shoots up from Rs 192 to Rs 295. Short sellers sell at Rs 200-240 levels.

Nov 6: Open interest in RPL futures touch 95% of market-wide limit of 180 million shares

Nov 7: Price crashes to Rs 228

Nov 12 (around): CLSA downgrades stock to 'underperform'

Nov 6-14: RIL sells 2.54% stake in RPL in the open market

Nov 15-23: RIL sells another 1.47% stake in the open market

Nov 23: RPL and RIL disclose the sale to NSE and BSE

Nov 28: Price at Rs 197

shares in the last week of October; on 31 October the volume jumped to 205 million shares and then more than doubled to 508 million shares on 1 November (see 'A Patch Of Happening Times').

A look at the open interest in RPL November futures showed that it was 91 million shares on 1 November. But in next three trading sessions the open interest rose sharply to 162 million shares (on 6 November), along with open interest in December and January RPL futures contract, and went on to exceed 95 per cent of the position limit of 180 million shares for RPL futures. The NSE only allowed a squaring off positions till the open interest was down to 80 per cent. That cooled the market, and the RPL price fell by Rs 50 on 7 November.

Sebi's insider trading regulations require an investor holding more than 5 per cent in a company — that is RIL — to disclose any sale or purchase of more than 2 per cent within four working days. The company whose stock has been sold — RPL — gets five working days to disclose the information to the market and the public at large. RIL informed RPL of its sale of 2.5 per cent of RPL stock on 19 November, and about the sale of an additional 1.5 per cent on 23 November.

Winners And Losers

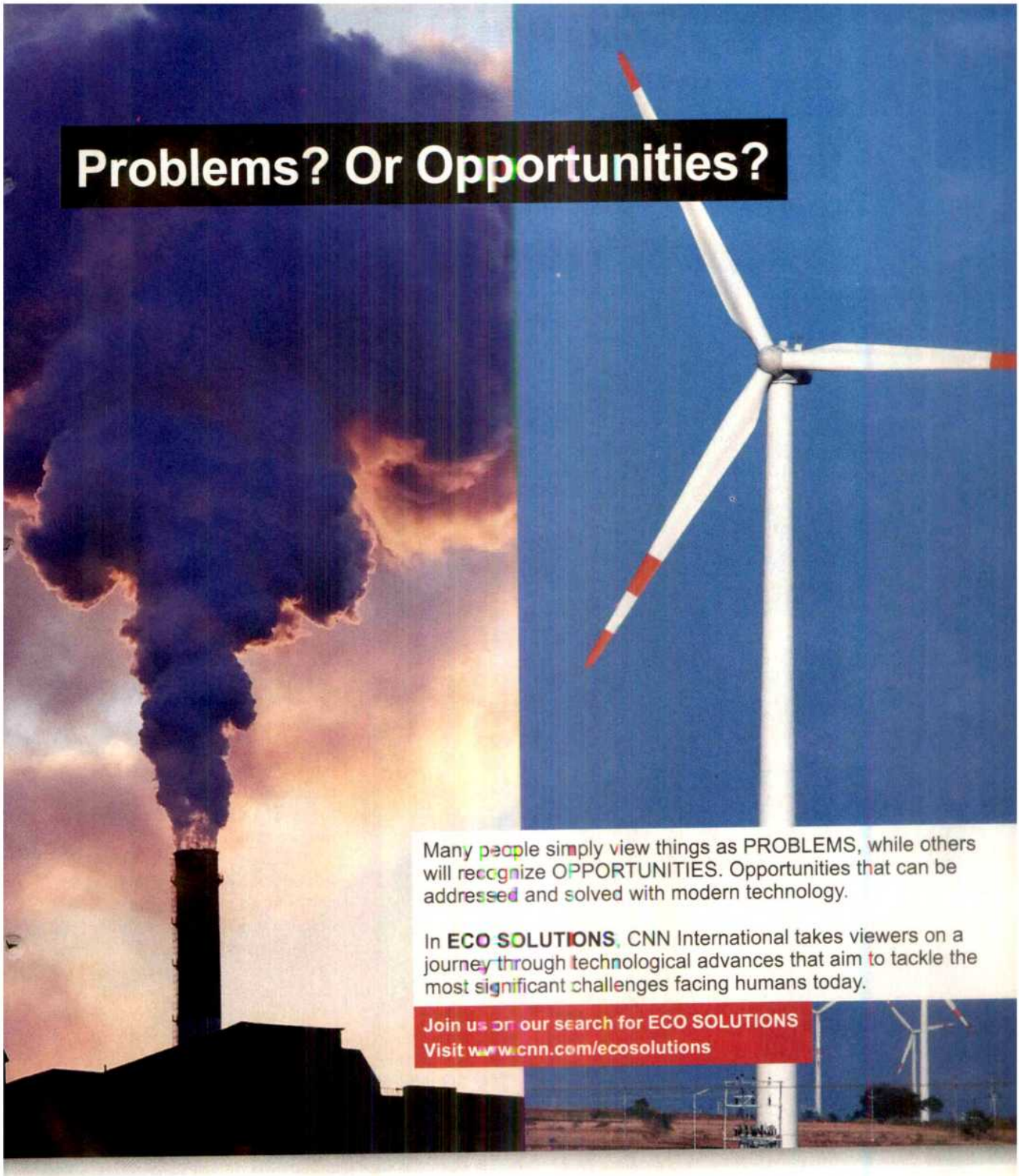
RIL got Rs 4,023 crore, at an average price of Rs 223.50 per share, from selling RPL stock. But the reasons for the sale are not clear. RIL does not appear to have any immediate need for that kind of cash, either for project expenditure or any other financial use. The company has Rs 12,500 crore in cash or cash equivalents, which can be used for its other businesses.

Asked for the rationale behind the sale, a Reliance group spokesperson says the purpose was to increase the floating stock of the scrip. "If you take away the 80 per cent that promoters in RPL hold, and the 9 per cent that institutional investors hold, you have just 11 per cent in public hands," says the spokesman. "We have been getting calls from retail investors who want us to increase the available floating stock."

Media reports indicate that now Chevron may not exercise its option to pick up another 24 per cent of RPL stock, which would come at a hefty price of about $6 billion at current market prices, even at a 5 per cent discount to current market price. "We continue to evaluate our options with our ownership in RPL," a Chevron spokeswoman told a reporter. "We will provide specific project updates when definitive decisions are made." What Chevron does is unlikely to affect present business arrangements with the multinational, though with Chevron, RIL has a partner with established distribution capacity. For its technology needs, RPL is said to be sourcing that from Exxon-Mobil Research.

Should Chevron want to sell — RIL has the right of first refusal — buyer for such a large block could be hard to find, even if at a discount on the prevailing market prices; this current sale by RIL into the market could pave the way for buyback and even give RIL a profit. Even otherwise, the profit from the current sale adds to RIL's profits, and with a high price earnings ratio of 30, could add to its market capitalisation significantly.

But the smarter speculators who sold RPL short are laughing all the way to the bank. *BW* research indicates that they short-sold 160 million shares in four days, making a neat profit of about Rs 800 crore. Who were these smart folks? Market sources say it could be foreign institutional investors, big individual brokers, even powerful bankers who were privy to RIL sales of RPL shares or market operators who specialise in trading in RIL group stocks. This is part of what Sebi may be examining. There are losers, of course — those investors who climbed aboard the stock in the last four weeks anticipating an even further rise. The buzz around this deal is unlikely to die down soon. ■



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AIRING OUT: Mumbai has a total of 264 parks and gardens totalling 311 acres

Maximum MUMBAI

Public parks and open spaces are Mumbai's lungs. Giving them to private parties will choke the city

GURBIR SINGH

IN Mumbai's posh but crowded suburb of Juhu, one of the few open spaces was given by the Brihanmumbai Municipal Corporation (BMC) to the Ronson Foundation over a decade ago for 'caretaking'. Little was done to green the land till some local residents roped in former MP Shabana Azmi to use her development funds to create a garden in a small portion of the 3.5-acre plot. Meanwhile, the foundation's promoter, businessman Sohail Kusungar, has fenced off the remaining two acres, awaiting permission to build a clubhouse.

Kusungar has neither greened the plot nor built the embankment for the Irla-*nullah* to prevent monsoon flooding — the terms of the lease agreement for caretaking of public land. The fenced-off two acres is closed to the public; and once the clubhouse is permitted under a new municipal proposal, only those who pay the expensive membership fee will be able to use it.

Many trusts controlled by businessmen and politicians are awaiting BMC's new plan allowing open spaces and gardens measuring 15,000 sq. m or more to be handed over to private caretakers. Under the new provisions, rushed through last week by the BJP/Shiv Sena-controlled BMC Improvements Committee, the 'caretaker' is allowed to construct on 25 per cent of the land, while the remaining area will be open to the public.

The new provisions replace an older 'adoption policy' that had stricter norms for administering these properties. The BMC gave citizen and neighbourhood groups a 5-year lease, renewable on the basis of performance, including keeping the grounds completely open to public. No construction is allowed except a 100 sq. ft gardener's shed, landscaping, lighting and security.

The Congress and the NCP have opposed the move that has sparked off massive citizens' protest. But BMC Commissioner Jairaj Pathak has justified the 'caretaker' policy for open spaces on the grounds that the city needed sports and gym facilities that the city government does not have funds for. It was intended to stop encroachments and the mushrooming of new slums, he claims. Spokespersons for the ruling BJP/Shiv Sena alliance point to exclusive clubs such as Willingdon Club and Bombay Gymkhana in south Mumbai, claiming sports

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facilities should be provided to the less fortunate in other parts of the city too.

"The policy sounds reasonable and sensible," concedes Nayana Kathpalia, co-convenor of Citispace, an NGO battling to keep Mumbai's open spaces intact. "But it could lead to mushrooming construction and misuse. Clubhouses built on these lands will ultimately ensure that the public will be shut out."For a city with a population of over 15 million people, Mumbai has few open public spaces.

The BMC's records reveal the city has just 264 parks and gardens totalling 311 acres. There are another 524 open spaces that are shown as Reserved for Gardens and Playing Grounds in the city's development plans, or 648 acres of undeveloped grounds that are now being targeted for takeover by the private groups. If construction on these lands is permitted, the city will see another 162 acres of concrete and cement.

Citispace says international town-planning norms require 4 acres of open spaces for every 1,000 people. For Mumbai, the availability in 2001 was just 0.03 acres. Thanks to its Central Park, even New York met the norm then with 6.1 acres per 1,000 (see chart 'No Breathing space'). If the new 'caretaker' policy goes through, the claustrophobia for Mumbai's inhabitants will only worsen.

The Past As Prologue

The 'care-taking' policy for open spaces has been tried in the past, with the BMC handing over 10-12 such public grounds to private trusts. In most cases, influential politicians controlling these trusts have turned the open spaces into lucrative business propositions. Among the well-known cases of misuse is the Matoshree Club, on the Jogeshwari-Vikhroli Link Road controlled by Shiv Sena corporator Ravindra Waikar.

The Club with fencing and security guards to keep out the public, shot into the limelight when it was hired by the Congress-NCP alliance to keep its MLA flock from being poached by the BJP/Sena combine. Since the Club's promoters violated the allotment terms that disallows political activity, the allotment was cancelled, but the Club has gone to court, and the eviction has been stayed.

The Goregaon Sports Club was allotted 10 acres of land, wrested under the Urban Land Ceiling Act from the Rahejas in the western suburbs. It is for-members-only and the going rate for life membership is Rs 5 lakh. Kathpalia says violations and misuse have been the norm for all these trusts claiming sports status on public land. "Any attempt to evict these trusts invites court cases and stay orders against the BMC," she adds.

The charade came to a temporary stop in 2002 when citizen groups approached the state's Chief Secretary V. Ranganathan. However, the policy was never scrapped and has been revived in a modified form after hectic lobbying by municipal corporators representing the interests of builders and developers.

No breathing space

Average open space availability in Mumbai is abysmal

City	Population	Number of parks/ open spaces within city limits	Park/open space acreage per 1000 residents
Minneapolis	383,000	5,694	14.9
Washington DC	572,000	7,504	13.1
Oakland	399,000	3,712	9.3
Boston	589,000	4,865	8.3
Los Angeles	3,695,000	29,801	8.1
Baltimore	651,000	5,091	7.8
San Francisco	777,000	5,916	7.6
Philadelphia	1,518,000	10,685	7.0
New York	8,008,000	49,854	6.2
Mumbai	15,000,000	959	0.03

Average park/open space in high density US Cities = 6.8 acres

Source: Harnik, Peter. 2000. "Inside City Parks." Washington D.C.: ULI-the Urban Land Institute. Updated as of November, 2001

Is There A Way Out?

NGOs like Citispace and the Waterfronts Committee insist that the BMC is not short of funds. For starters, it has a budget of Rs 400 crore for developing and maintaining playgrounds and gardens – sufficient to ensure the basic greening and maintenance of Mumbai's open spaces. Last year it spent just Rs 90 crore.

A good example of citizen-corporate partnership for funding maintenance is the Oval Maidan overseen by a neighbourhood committee called the Oval Trust. The 22-acre Oval Maidan's annual maintenance cost of Rs 15 lakh is funded by the Tata Group. Creating a jogging track and providing well-designed security fencing was also financed by the Tatas. The Oval Trust fought a long and successful battle against Dilip Vengsarkar's Elf Cricket Academy that attempted to build a clubhouse on a portion of the grounds in the guise of changing rooms and toilets.

Another example is the transformation of Bandra Bandstand and Carter Road stretches — two waterfronts that have been reclaimed and beautified by community action. In both cases, an initial corpus of Rs 1 crore from MP local area development funds was invested for landscaping and greening. For the past three years two local resident committees have been paid for gardeners and security at an annual cost of Rs 8 lakh for both stretches. Money is raised through small corporate sponsorships and contributions from housing societies located along the stretch.

"A tripartite partnership — of local citizens groups, corporate sponsors and local government authority — is the best bet to develop and maintain open spaces," says P. K. Das, one of the founders of the Mumbai Waterfronts Committee. Citispace is lobbying for retaining the 'adoption policy'; the organisation has also proposed a ward-wise development of sports facilities on public grounds to be funded by the BMC.

The Maharashtra government can overrule the city government if the BMC's actions clash with the state's land-use policies. The green lobby in the city is pushing hard for the Congress-led state government to exercise its veto. It's a question of breathing spaces for the public at large versus commercial space for a privileged few. ■

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ROOPAK GOSWAMI

Spread the aroma

'Produce what others want' is the new mantra for the Indian tea industry

OVER high teas and sumptuous lunches, two questions dominated the discussions of tea captains from all over the world, who had come together for the Great Indian Tea Party at the Indian International Tea Convention (IITC) 2007 in Guwahati — "Where are the new markets?" and "What should be sold to them to get maximum returns on the product?"

The answer, according to Jairam Ramesh, minister for commerce, is simple enough — "produce what others want". Speaking on the first day of the convention — which brought together nearly 450 delegates from across the globe — he said that over the years, there has been a shift in preferences from CTC to Orthodox teas and India should also adapt to this change. "We have to do it to meet the challenge as otherwise we will lose out," he said.

No wonder, then, that Mohammad Beyad, the Tehran-based director of Britannia Tea Company, London, was here to buy the best quality Assam tea. Iran is a huge market for Assam orthodox tea. It consumes around 110-120 million kg tea every year, 95 per cent of which is orthodox tea. The government plans to increase the production of orthodox tea from 80 million kg to 140 million kg in the next five years and has launched a Rs 100-crore subsidy scheme for the same.

The past should not be a model for the future, said Commerce and Industry Minister Kamal Nath at the valedictory session. "We have to create new markets and brand our products in tea," he said. "We are all there to help the industry but it should guide us." India is the world's second-largest producer of tea and the fourth-largest exporter.

The focus of the IITC 2007 was to develop India's response to the new global challenges and strengthen its image as a dependable tea supplier, said Aditya Khaitan, chairman of Consultative Committee of Plantation Associations. The Indian tea industry has a turnover of Rs 6,500 crore and supports an employment base of some 1.25 million. "The industry would be formulating a strategic road map in partnership with the Tea Board regarding the policy interventions required to help India compete in the new markets," said Khaitan. "We look forward to a long-term government-industry partnership to carry out this critical task."

While it is difficult to gauge the success of the convention — which showcased India as a one-stop shop for a wide range of quality teas ranging from robust Assams to aromatic Darjeelings

TEA CONNOISSEURS: About 450 delegates from across the world gathered at the convention

Photographs Courtesy: EASTERN PROJECTIONS

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*Source: (ABC) Jan - June 2007

THE TRUE FLAVOUR: The convention showcased India as a one-stop shop for a wide range of quality teas

as well as other regional varieties — it did give a glimpse into the minds of importers. "This was a good one-stop forum for people in the tea trade to know what other countries wanted," said Dhiraj Kakati, secretary of Assam Branch of Indian Tea Association (ABITA).

The convention gave foreign delegates a chance to see for themselves the way that Assam tea is grown and processed, said Kakati. Assam contributes 50 per cent of the country's entire tea production. "A taster can distinguish between good and poor quality tea," said C.S. Bedi, chairman of the Tea Research Association. "However, his perception of good quality invariably tilts towards Assam tea. Reference to good quality is an integrated sensation of many attributes such as colour, strength, flavour, briskness and a balance of these attributes is essential, which is present in Assam tea. If Darjeeling tea is the champagne of the tea world, then Assam tea is its best cognac."

Consumers in India seem to prefer teas that release a pleasant aroma during preparation, said P.T. Siganporia, the managing director of Tata Tea. Yet another reason for the popularity of Assam tea.

However, not everything is hunky-dory for Assam tea. In fact, Nick Revett, the commodities and technical services director of R. Twining, pointed out that Assam tea scores low in comparison with other classics and specialty blends. "A large percentage of Assam tea that is drunk in the UK is not necessarily driven consciously by primary consumer preference for their origin but by UK packers choosing to utilise tea in their major blends, albeit to fulfil their brand objectives," he said. "The platform and identity with the consumer is relatively weak, thus, in order to fulfil the goal of increased exports to this market, the first step is to work closely with the UK packer who is inextricably linked to the UK consumer."

The issue of pesticide limits was also raised. Europe has stringent laws about pesticide residue and the issue can only be dealt with effectively by the trade bodies of India and Europe together, said Franz Thiele of Thiele and Freese. "Indian and European tea trade have to work hand in hand," he said.

Quality, too, was an issue with Kenya taking a lead on the matter. "Quality has been our buzzword and teas sent to Kenya should be of high quality," said Dunston M. Ngumo, chairman of the Tea Board of Kenya. Assam's industry minister, Pradyut Bordoloi, is also worried about quality. "We are concerned about the deterioration of quality of Assam tea and will soon impose quality stipulations on tea coming from bought leaf factories," he said.

Mohsin Saify of Tapal Tea of Pakistan said the company wished to make Assam tea an integral component of its blends to add value but at a price point. "India and Pakistan have the ability to transform the region into a single tea market and the Indian government should develop and promote Indian tea in Pakistan as a brand." Ramaz Chanturiya of Rosschai Russia said that in order to reposition Indian tea in the consumer's mind and win back the market share in Russia, the Tea Board of India should promote Darjeeling, Assam and Nilgiri teas. "Darjeeling, Assam and Nilgiri are widely and universally acknowledged to be the finest teas, because the flavour of each is so unique that it cannot be replicated," Chanturiya said.

At the convention, there was a general feeling that the Indian tea industry is in for exciting times, for not only is the market showing signs of stabilising after 4-5 years, but an ambitious government-sponsored programme for uprooting and replanting is also underway. "No one will forgive the industry if we make compromises and put out low quality planting material," said Bedi. "The onus is on us to make this a success."

The tea industry also addressed the issue of social costs. Khaitan urged the central government to share a part of social security cost to inject a fresh dose of competitiveness into the plantation sector and in so doing, free it to concentrate its energies on what it should be doing best — producing quality tea at the most competitive cost and expanding and servicing markets with alertness and vigour. ■

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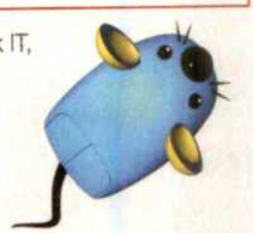

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William Pesek is the Asia-Pacific columnist for Bloomberg News.

Popping the 'Dubai Bubble'

EVEN amid a skyline jammed with massive construction projects, the Burj Dubai is a standout. In September, it beat the 31-year-old record held by the CN Tower in Toronto to become the world's tallest free-standing structure. Dubai's tower will be the tallest building in every category and home to one of Giorgio Armani's first hotels.

This is kind of a Dubai obsession — having the biggest this, the grandest that, the most ostentatious the other thing. Developers have designs on the biggest shopping mall, the first submerged luxury hotel and an artificial archipelago that is expected to be visible from outer space. It's no wonder that economists are buzzing about the 'Dubai Bubble', especially with crude-oil prices near $100 a barrel. As oil prices rise and Dubai, one of the seven sheikdoms of the UAE, diversifies its economy, it continues to confound the sceptics.

"Just look around this place," Faisel Hoodbhoy, a managing director at Dubai International Financial Exchange, said at an Institutional Investor conference last week. "The future for Dubai is very bright." Of course, doomsayers may have some ammunition in the 'skyscraper curse'. A favourite issue of mine is the uncanny correlation between tallest-building projects and financial crises. It happened in Kuala Lumpur in 1997, Chicago in 1974, New York in 1930 and in biblical times with the Tower of Babel. A bizarre coincidence perhaps, yet humankind's propensity for architectural overreach has been a reliable omen of meltdowns.

Taiwan, which, in 2004, became home to the tallest building, was arguably affected. Its economy didn't implode, so much as it's disappearing. China has done a masterful job marginalising an island it sees as a breakaway province. Now, among Taiwan's main allies are Kiribati, Swaziland and the Holy See. An economic crisis? You decide.

Is Dubai a development miracle? Or is it the centre of an Arabian asset bubble tied to surging oil prices? For the moment, it would appear to be the former. The rise in oil prices may prove more secular than cyclical. Demand from China and India alone almost ensures it. Officials point out that oil revenue accounts for just 6 per cent of Dubai's gross domestic product. Luckily for Dubai, oil prices are likely to stay high.

Also, much of the oil proceeds are being invested at home. Dubai's boom isn't being financed with debt but with something closer to equity, if you will — shares in Dubai Inc. Speaking of equities, DP World, the Dubai-owned port operator with terminals from the UK to China, last week raised $4.96 billion in the Middle East's largest initial public offering. It was Dubai's biggest step to date in establishing itself as a global financial centre.

Dubai is stepping up efforts to attract more IPOs. The small size of Dubai's stockmarket explains why so much money is flowing into property. Dubai is working to change things, including building a bigger bond market.

"It's going to be a bonanza for investment banks," said Henry Azzam, CEO for the Middle East and North Africa at Deutsche Bank AG. In a dangerous world filled with geopolitical risks, Dubai might be considered a 'Green Zone' for Middle Eastern investment. Attracting cash from Muslim investors is only part of the push; another is attracting the biggest institutional investors from New York, London and Tokyo.

The outlook for energy is cloudy as Venezuelan President Hugo Chavez and Iranian President Mahmoud Ahmadinejad try to use oil as a weapon against the US, and as concerns mount that the dollar will collapse or that the US might attack Iran. Also, inflation in the UAE rose a record 9.3 per cent last year amid surging property prices.

To sustain the boom, Dubai needs to beat the system, so to speak; it has to overcome the 'skyscraper curse'. Trouble is, few economies have done so. ■

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Is Dubai a development miracle? Or is it the centre of an Arabian asset bubble?

case study

Of cabbages and kings

MEERA SETH

"The time has come," the Walrus said,
"To talk of many things:
Of shoes — and ships — and sealing wax —
Of cabbages — and kings —
And why the sea is boiling hot —
And whether pigs have wings."

— Lewis Carroll

DURGA Smartha was clear in her head. For weeks she had planned this. Thought about it. Convinced herself of the moves and costs involved. About the embarrassment that may result. Durga was clear, she was not changing her mind.

Durga was a senior associate at Artoyle Lages, an IT services company. At 54, she should be doing far far better; but only if she had doggedly stuck out for her career. Her husband's transfers cost her career continuity and relevance — so that, at 54 she was a senior associate, and a bright one at that.

Durga did not mind that. She minded something else we will soon see.

Five months ago Durga's husband Mahesh Smartha retired at 58 like most people do. Durga was relieved for this retirement meant he would now start 'living'. The 30 years had been spent waiting for pressures to ease: this week he has this presentation coming up...this week that boss man from England is here, Maisha (as she called him) cannot even breathe...this week those appraisals, this week this or that... Durga was brought up on the old system that taught her — man works for family, we must be kind and patient.

And so passed 30 years and when he got off the time machine, Maisha revealed a nature totally alien to Durga. She was horrified that this man she had put on hold all these years, had quietly transformed.

And Durga was angry. This was not her husband who she had met in 1976 in Mumbai, during a cricket match. That Maisha had done a wild bhangra in the middle of the field when Brijesh Patel turned an overwhelming 82 against New Zealand.

This Maisha, who had returned home as a director in Belmonitt India, had forgotten Brijesh Patel. And as the weeks grew into months, Durga was convinced. This was not her Maisha. Maisha was a madcap person, fun loving, keen gardener, fond of Begum Akhtar, street food and P.G. Wodehouse.

Recently, Durga was unpacking her son's cartons from college and found a dog-eared copy of a PGW. "Maisha, name the book," she said and read out, "Wilfred Allsop was sitting up, his face pale, his eyes glassy, his hair disordered. He looked like the poet Shelley after a big night out with Lord Byron..."

Nothing changed. Maisha continued shaving, stone faced. Durga prodded. Maisha twirled the razor under the water and grunted, "How does it matter, what's all this!" There was a distinct sound of closure in his voice. *They have sent me a depleted, wasted, abused human! Maisha is worse than a cabbage!*

Recently, the chairman of Belmonitt called on them for tea. All these years Durga had been just the wife, the one who sewed buttons back and made comforting sounds. Not essential for Belmonitt's processes. But that day, she was serving Raja Bahadur jasmine tea in her best crockery, and he said, "It must be a great feeling to have your husband at home!" And Durga had mumbled, "There is someone at home and I am not sure that is my husband." The chairman had laughed as men in high places laugh indulgently when wives make domestic observations. This is the best they can do to converse and connect, she had mused.

Now he added, "You must be grateful for all that he has

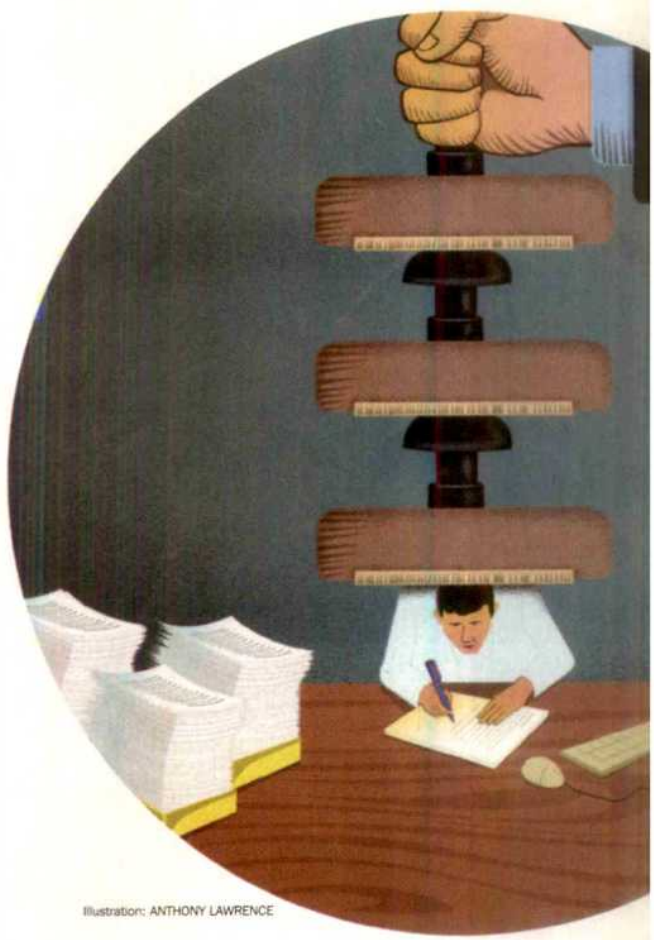


Illustration: ANTHONY LAWRENCE

achieved and the name he has made for himself. You know, that is the money that helped put your three sons through foreign university." And then the war broke out. Durga looked at him in a queer way which prompted the elder to say, "Appreciate, he was rewarded for all that he did!"

Durga had looked at her husband then; The light was on, but there was no one home. *Yes, of course yes! For that money he gave you energy, time, love. But you took away his spirit too, on the sly.* "All I am asking for is that you return his spirit to him…!" she said suddenly. Maisha was not even hearing…like a loyal pup, he sat, grateful to be in the presence of his master and King.

That night, Durga called Raghavan Aiyer and said, "Raghu, I want to sue Belmonitt; I want you to work on my case."

RAGHAVAN Aiyer used to be Durga's neighbour in Vasant Vihar way back in the 1980s when he was in class 12 at Modern School and Durga was a 'looking for a job' housewife in a city which was a far cry from the serene, quiet Kolkata where she had grown up. So in her spare time — which was all her time — she cooked *mach jol* for an ever hungry Raghu whose brahminic family had no idea of his trysts with trout.

Such a Raghu was startled by Durga aunty's declaration. But he agreed to meet her the next day.

We shall now hear the conversation between Durga aunty and Advocate Raghavan Aiyer.

Durga: Raghu...if a happy healthy man joins an organisation that, over 30 years changes his psyche, his health, his eating habits, his attitude to plants and animals, takes away his smile, takes away his cheerfulness, changes his attitude, drains him of all joy, overworks and stresses him, gives him high BP and ulcers and then, at 58, returns him to store, all consumed and dull and dry, and pacifies him with a gold Titan watch... can you look up your books and tell me under what Act do I sue them for falsifying intent, forced destruction of emotional health and failure to reinstate what they stole from him?

And don't say wear and tear Raghu...I also worked 30 years, at home and outside, both manual and mental; I have not lost my ability to laugh, to enjoy, to love, to appreciate. Belmonitt is guilty of promising him an environment of dignity, integrity and respect; Belmonitt is guilty of destroying the man I married. Where is my husband? I want him back. The man they have retired does not have the wealth Maisha had. I am suing to recover my lost wealth.

Raghu: Pardon my seeming rudeness, Durga aunty, but I speak as your lawyer … so tell me, is it not your husband's fault? It was his choice to work there and surely not everyone in Belmonitt turns out like this.

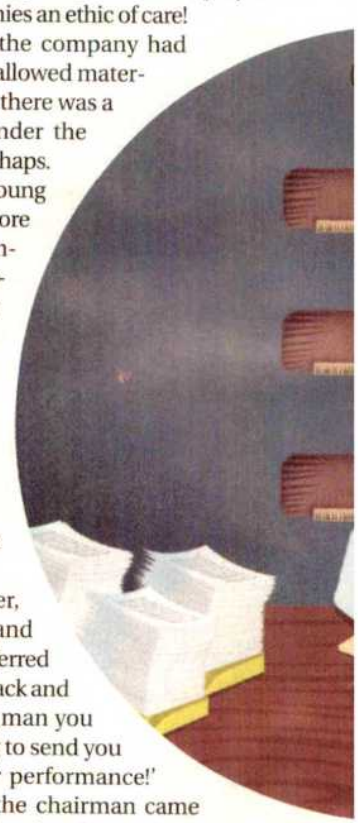
Durga: How can I answer that Raghu? I can speak for the one man I sent to Belmonitt every morning for 30 years, after a simple meal of Champion oats; whose contract and appointment letter did not say, 'All things remaining constant, please note that over 30 years we reserve the right to maul you, destroy you, diminish you and sap you of all definition of identity and peace!

In my opinion, even if this did not happen to others Raghu, it does not stand to reason that what happened to Maisha was his fault, if that is what you are trying to prove. Let us face facts Raghu...this was a happy man..a totally cheerful, in-love-with-life man! Do you know, Maisha is a trained marathon runner? This is the man who used to do 15 rounds of Don Bosco's football grounds, for fun!

Raghu: Too often the obligation of a company is defined exclusively with reference to its shareholders and the stock-markets, and not internally to its employees. Our focus should be that aspect of a company's responsibility…

Durga: Now you are talking Raghu... So let me add to that, when Maisha was appointed head of the chemicals division in year 1984 he was not told there was a FE violation that the company was struggling with. For weeks, he was asked to cover up a situation and when the enforcement chaps raided the office, Maisha was shocked out of his mind.

Raghu: Hmm…we need to go beyond the employment contract to impose on companies an ethic of care!



Durga: The directors of the company had been illegally importing a disallowed material. They did not tell him that there was a problem and he was put under the spotlight to answer the FERA chaps.

And then because he was young then (34 something) he was more concerned with saving his employers, being loyal, etc. Because not once did they confess to him that they knew what was going on! Basically, he took the hit for the company; the five months of stress, not sure what would happen, no one to confide in, daily raids in the office, interrogations, took its toll. Some days Maisha did not even come home.

When the storm was over, Maisha wanted to resign and spoke to his boss. They all conferred for a few days and they came back and said, 'Oh what a hasty young man you are, see we had been planning to send you overseas after watching your performance!' Maisha refused to commit; the chairman came home personally, and cajoled and said something about *kshatriya dharma* and it all sounded so pious and right that we agreed to stay back. We were so vulnerable then! And we were transferred to Europe.

Raghu: (making notes...) *Company is nervous that if he leaves, he might talk so to pacify and* 'buy' *his peace they send him on a short term junket. Interesting!* As a lawyer it is apparent to me you had an employment dispute at that point and you should have taken it up then...

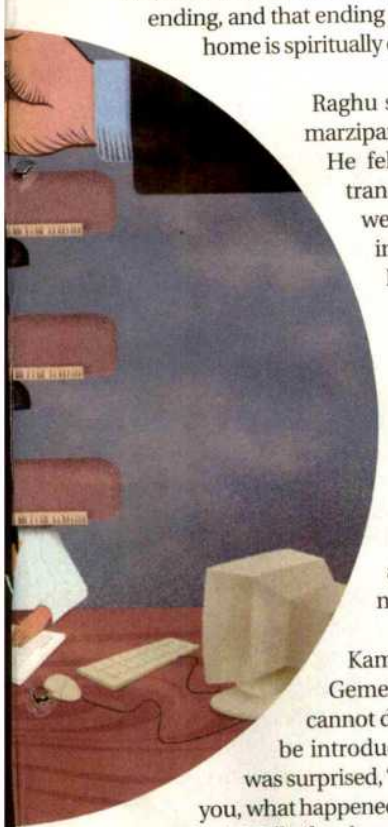
Durga: Our home company here in India kept us at arms length. There were many racial situations we put up with. Every time Maisha called India, HR would say, 'oh, but you are European Region resource...; we cannot interfere. When we sent you out it was a one-way ticket...' When he returned eventually, he sat around without a job for 4-5 years! It was very demoralising, humiliating, too. The noise they had made about

fast track and growth, etc. to get us to leave India was not at all matched by the job content. And then the jobless state on returning. This period saw him break bit by bit. All the promise makers, the team whose skins he had saved…they had all risen high up and beyond Maisha's access. The new CEO wanted younger managers…

In the past 7-8 years Belmonitt has become aggressive. I have heard them talk during parties — 'keep emotions out and only think logically at workplace.' Now if you do this for 10 hours a day for even 10 years, it is bound to make people dull! Or, as I heard one of the directors say, 'one should not become too friendly with people you work with as they might take advantage. Leadership requires a bit of distance from people.' Do you think we grow sensitive warm leaders?

See, there is no dramatic story. None at all. There is only an ending, and that ending is that the man who has come home is spiritually dead. And I have no insurance.

* * *



Raghu sat staring at the little box of marzipans Durga had brought for him. He felt a certain feeling of being transported. Way back when they were neighbours Durga bought imported marzipans from Khan Market and kept a huge glass jar of these in her drawing room. "In My Fair Lady, Prof. Higgins has this huge jar of chocolates," she had told him. And Raghu and his brother Nandu stuffed themselves with the fruit shaped marzipans with artificial stalks and leaves. Raghu could almost smell those marzipans now…

The phone rang. It was Advait Kamat. "I called to say I have quit Gemett India. Per rules, therefore, I cannot deal with you. My successor will be introduced to you next week." Raghu was surprised, "I thought all was going great for you, what happened?"

Advait: Well, after three years of winning the tax returns in our favour, I lost this year. My CEO feels I did not put my weight behind my work. I am not going to pretend that that did not upset me.

I have had enough Raghu. This world — it's crazy. Performance has become relative — you are only as good as your last assignment! And just see how much jostling is going on — it's exhausting even to hear about it — people are being evaluated twice a year. This whole business of 'vitality curve' is stretched far too much and every one seems to be riding a tiger — if you stop, you are dead. Can any one chose and say — I don't need so much salary, but allow me work-life balance? You cannot! You *have* to grow or you are out. That again makes people work hard all the time and, in turn, leaves them sapped!"

Later in the day, Raghu met Advait. They talked. About corporate responsibility, about leadership, success… "There is too much hype Raghu," said Advait; "After a point it comes out of your ears. 'Work is worship, nothing succeeds like success, winning is not everything, it's the only thing …' I am bombarded with these messages all the time! This has kind of made people work overtime and against many odds. I have heard managers say to the new recruits, 'we don't have time to hand hold you… you are an experienced person, so just jump and start performing. 'Baptism by fire' is another proud mantra that people say randomly — you have no idea what this does to people! Our CEO's e-mail signature is — 'Work hard play hard' — that puts pressure on older managers who are constantly told 'want your job, rake in productivity!'"

RAGHU sat thinking. Durga, and now Advait. His mind went back to Durga. *At one level it is not making sense, but at another level, I am waking up to a realisation that dammit, if Mahesh Smartha has developed strange behavioural issues as she says, surely it can be attributed to his worklife!* Calling his partner Sutanshu Verma, Raghu detailed the issues and said, "At a personal level I wish to help her, but what precedent do we have?"

Sutanshu advised Raghu to abandon the matter and counsel Durga to keep her peace. "All people face this. Find me one man who retired at 60 with an honest love for his organisation? All organisations use their employees, so Smartha got used, too. Durga has no case. Matter ends."

Raghu: No Sutanshu, I have been thinking a lot. There is something that is called corporate responsibility (CR) and this is what we will invoke. My chat with Advait was timely. Organisations need to step off the roller coaster and define CR in real terms if they want all this growth for keeps.

Sutanshu: Mahesh Smartha belongs to the 'one organisation' era. He spent his whole career being a slave to this one master. Can you imagine the psychological pressures of being subservient to one master?

Raghu: But then, I have clients from companies like ITC who have been there all their life and their experience has been positive. So if at all, a one-organisation career is seen as overall more conducive for emotional health as there is strong bonding and even from the organisation's standpoint, it makes it worth its while to invest in the employee's growth, health, etc.

Sutanshu: You are thinking of Durga 'aunty'; think Durga Smartha as you would any client who walks in through that door, sans a social relationship. Will you be anxious like you are now? Be rational!

Raghu: (Thinking… *It's because we do not emphasise our social relationships, we do not acknowledge our social responsibilities. Individuals should do this, organisations should do this…*) Sutanshu, this is not just about Mahesh or Durga Smartha. Aren't you missing the big picture? The pressure on people to keep delivering all the time is very very high. While this may not have been so during the time Smartha was 30-35, I can only tell you that there will be more Mahesh Smarthas and many shades darker. Today, people have become a major source of competitive advantage for organisations. Unlike in the past where other resources also played a key role in the profitable growth of businesses, today's primary differentiator is people. That in turn puts a lot of pressure on individuals to

continuously deliver, all the time.

Today we have new situations where the average career span in an organisation has shrunk to 4-5 years. As such companies would like to maximise on the investment they make in managers, and the attitude has become 'use and extract as much as you can' — so? They do not realise what they are doing to people in the process!

Now take a look at what leadership has come to stand for and what the stakes are! 'Leadership' is defined as taking responsibility for everything, even for impossible things and 'managing' has become a dirty word where you are expected to manage against all odds and yet deliver! If you ask too many questions, you are considered 'high' maintenance and as such people take on so much to survive and succeed. That drains people and in most cases, the career is the only quadrant that people are investing all their energies in and have no time for other dimensions of life — spiritual, mental, physical, etc.

Therefore Sutanshu, the definition of corporate responsibility has to change! I was looking at some definitions adopted by organisations here and I was horrified! Despite the growth and aggressive competition happening, CR is still carrying a passive definition — health, workplace safety, hygiene...! And this is what we must push to legislate. Mahesh Smartha is just the trigger, but what a trigger! Think about what I am saying...

* * *

Raghu began some focussed thinking on corporate responsibility and found that increasingly, companies in the West were being held responsible for such actions. But evidently, there was no evidence of this in India. Just a search on CR threw up a slew of companies with elaborate complex definitions of CR. The more he read, the angrier he became. These were highly reputed organisations in the top echelons of corporate society. And they had all mostly resorted to over simplistic definitions that bordered on product safety, workplace safety and employee well being.

As he said to his partner, "It is about much more Sutanshu. Your quality standards and commitments to customers and suppliers automatically assumes you have safety standards that are the best! What are they talking about safety? Talk about respect, about care, about growth! Instead they talk about global health benefits strategy, preventive care, healthy lifestyle choices, and good health care decision making. This is not adequate CR!"

ONE company had also listed, 'technology-based information and tools to support informed healthcare decision making'. Another company conducted annual surveys to gauge internal opinions on empowerment and customer focus. This was again, felt Raghu, from the standpoint of productivity and brand image, but not employee handling.

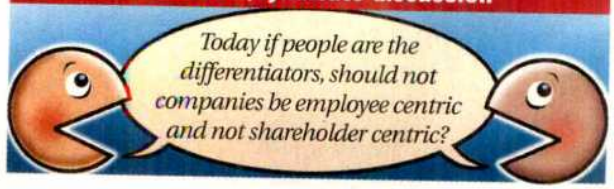
And Advait himself had said, "There is a continuous briefing that you are faced with; you are constantly being chipped and shaped and chiselled and conditioned to becoming the text book image of Jack Welch or some such. Therefore, you are continuously adapting and reshaping yourself. It is so stressful! Development programs, renewal workshops, redesigning-the-thought workshops...can you see what is going on? I am busy all the time trying to be what they would like me to be so that I am not ever being who I am!"

Raghu called Durga and said, "I suggest that you should petition the legislative committee looking into corporate law reform to impose these obligations on companies. I have prepared a policy brief which I am sending you. Advocate Ragini Khedekar will guide you on how to present it to the legislative committee. I will speak to my lawyer colleagues and garner support for your campaign."

Ragini Khedekar looked at Durga in total alarm, then awe. "Three years ago I would have told you, you are a raving lunatic," she confessed. "But after seeing what happened to my father who worked for a very large and successful company, whose ethical conduct caused him to lose his balance — he is now medically declared mentally deranged — I say 'kudos to you'! As for winning the case — can't say, it's up to you..but then I think the time has come..."

The time had come; it came six months ago on Maisha's farewell day, wrapped and ribbon-ed — a gold Titan. ■

Classroom/syndicate discussion



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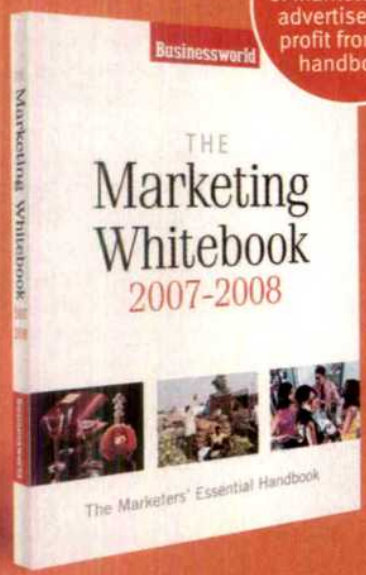

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Beyond work

A.V.K. Mohan is Group President of Human Resources at Spice Corp. The views expressed are his own.

"The law that lawyers know is about property and land;
But why the leaves are on the trees,
And why the waves disturb the seas,
Why honey is the food of bees,
Why horses have such tender knees,
Why winters come when rivers freeze,
And hope survives the worst disease
And charity is more than these,
They do not understand".

— **Nani Palkhivala**

DURGA'S anger is fully justified. Like many spouses, she had been patiently waiting and remotely contributing all these years, hoping that there is life beyond retirement. When finally the day came, she realised she had very little to look forward to as her husband had lost his appetite for 'living'. I am sure this is the story of many households, where returning spouses have forgotten themselves on the way. It reminds me of a ghazal by Jagjit Singh where he says, I met myself like a stranger meets a stranger! Fact remains, that both at individual as well as at institutional level, this is not getting the due attention. It seems to me, we are postponing the effort to find solutions, not realising that we are sitting on a ticking time bomb. It is this convenient way of focussing only on urgent issues and procrastinating the important ones that is churning out more Maheshs who have another 15-20 years of productive post-retirement life left, which is lost with their fatigued spirits.

Empathising with the Smarthas, let us balance emotion and reason. The responsibility of living a life of success (getting what you want) and fulfilment (wanting what you get) rests with both the organisation and the family. This duality begs introspection from individuals and institutions; both parties need to plan and look at life beyond business. As we are analysing this case, India's economic growth is looking pointedly to the north with many more opportunities to conquer the world in the pipeline. If we need to sustain this growth, I am sure we will put our best foot forward to win. In doing so and with so much shortage of human resources to address growth, everyone is running to catch up and manage. With life expectancy going up amongst the working class, there seems to be no room for retirement as companies are chasing even retired people to fill the gaps in the talent market. With people becoming, in most cases, the only competitive advantage, the pressure mounts from all quarters. In such a volatile situation, I am not sure if anyone has any time and desire to think about this subject, let alone find remedies to redress.

Rethinking Corporate Responsibility

With high levels of public awareness, strong business performance and active presence of the rule of law, organisations are focussing on corporate responsibility to multiple stakeholders to ensure resources are invested to build a better tomorrow. Under the 'balanced score card' view of business, corporations today are actively engaged in taking a multi-dimensional view of business and its responsibilities. While there are a few laws that enforce compliance, it is also visible that organisations are voluntarily contributing to causes outside profits. With passage of time, we see more traction in these dimensions and have come a long way from thinking that the business of business is business only.

But what about people within, who are working hard to build business? Corporate employee responsibility today is often restricted to workplace responsibilities, as Raghu points out — to safety, hygiene and health. Managing the paradox of hard work and shorter innings in today's high job-hopping world, institutions should develop philosophies, processes, policies, practices and programmes and invest in mechanisms that help people develop interest in the whole of 'life'. Fun-at-work today is a role fulfilment activity, hence does not inspire. Just as organisational goal management through objectives becomes a habit, likewise strategies to build the 'whole' person are also possible, if backed by desire and thought. Organisations should map initiatives and processes around the life stage of the employee, invest in them and measure the processes so that they get done and institutionalised.

Reinventing Individual Thinking

The quality of one's life is a responsibility jointly shared by the individual,his family and his employers. People are shaped by their environments, and with corporate life making huge demands, we see some people have effective coping mechanisms while others struggle. Mahesh sought all his energy and identity through work, ignoring other dimensions. He had not invested in other quadrants of life which could replace work and revive him post-retirement. The tragedy today is that when we can enjoy other pursuits of life, we seldom get time and finally when we get time we do not have a worldview of such pursuits, having become uni-dimensional in our thinking. But there are people who can balance and take a long view of everything and live a life of success and fulfilment. Having a mentor or a guru along this journey helps immensely. Steven Covey in his *Seven Habits* refers to sharpening the saw all the time to ensure a balance between winning in both public and private life. Luckily, this is not new to our age old dharma that talked about *madhyam*, the middle path. Family members can help in showing that mirror.

When the going is good, let us sit up, take cognizance of this challenge and build institutions and individuals for a beyond. The business of business is not only business, but beyond business as well. Through that we can live and leave a legacy. That is beyond the control of any law that can be promulgated. ■

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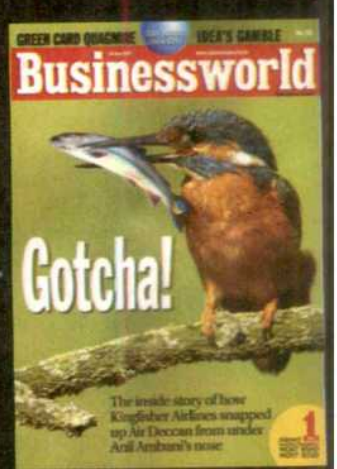

YOUR UNFAIR ADVANTAGE

Durga's right

The author is an assistant professor at the National Law School of India University, Bangalore where he teaches Constitutional Law and Legal Philosophy.

RAGHU'S perplexity with Durga's case is not surprising. He understands Mahesh's plight as being the result of unfair labour practices but finds that such claims may not have legal backing or may not be time-barred. Raghu's attempt to convince his partner that Belmonitt should be held responsible for mental and spiritual degradation meets with an incredulous response. If Sutanshu dismisses Raghu's concerns as emotional response to 'Durga Aunty', he is right about conventional legal understandings of corporate responsibility not being accommodative.

My response will look at the law relating to labour practices and corporate responsibility and conclude by suggesting that **Durga's approach to the legislative organs of the government is both strategically and legally sound.**

Liberalisation saw labour laws in India being trashed as the reason for the lack of progress in the economy. This general opprobrium has some legitimate basis. The byzantine and fragmented labour law legislations operate different rules for different segments of the labour market — public and private sector employment — which has resulted in ambiguity and inconsistency in the labour market. Further, the excessive and ineffective state intervention has created an environment where companies adopt a culture of 'creative compliance' and the labour bureaucracy is often geared towards corruption and rent seeking. Against this background calls for de-regulation seemed justified.

However, as Mahesh Smartha's experience suggests, labour law certainly has a significant role to play in the market for white collar jobs as well as blue collar jobs, which it has conventionally been associated with. Mahesh, despite being a well educated and economically secure person, is unable to negotiate with his employer on an equal basis. At several points in his career he finds himself in situations where his employers are able to cajole or coerce him into continuing with his job. An effective labour law would balance the negotiating strengths of the employer and the employee by granting statutory rights to employees, which employment contracts cannot derogate from. Maybe the recognition of the needs of the new private sector workforce, which is professionally educated and relatively well paid, is what it will take to get the government and employers to engage with labour laws seriously. We must begin to think of labour law as being essential to the quality of life that we lead and the dignity and respect that we owe each other in the workplace and thereby rescue labour law from its present location at the fault line of a class war between labour and capital.

The legal regime that facilitates the creation of corporations and regulates their functioning has been built on the premise of the primacy of the shareholder. As it is the shareholder who brings capital on which the corporate enterprise is built the entire legal regime seems oriented to protecting this genus of the corporation. Hence, directors owe a fiduciary obligation to the objectives of the company which are identified and policed by the shareholders. The Anglo-American model of corporate legal regulation has adhered to this single motivation which has created perverse incentives to the directors to maximise financial returns to the shareholders. In recent years there have been proposals to introduce a statutory obligation on Directors to act 'fairly' between diverse stakeholders such as consumers, employees and creditors as well as imposing a requirement that companies contribute to local environmental and social welfare programmes. The debate on corporate social responsibility (CSR) in India has tended to focus far too much on the promotion of general social welfare and seems to ignore the financial and physical well-being of its employees. As in this case study, Mahesh's company may well be a profitable company and a good corporate citizen as it contributes to social welfare programmes.

In the general push towards corporate deregulation it is often suggested that CSR may well be achieved through non-statutory measures. Several stock exchanges now require that listed companies adopt a code of conduct which proclaims its obligations to its various stakeholders and even hold companies accountable to this code. While many MNCs operating in India have adopted such a code, Indian companies have been slower at developing such self regulatory mechanisms. In the absence of non-statutory or other commonly accepted standards of corporate behaviour, statutory reform in India may be necessary to ensure the well-being of employees and preventing 'CSR' from becoming a marketing gimmick.

Durga Smartha's decision to approach the Legislative Committee tasked with Corporate Law Reform is an excellent legal strategy. Too often lawyers and clients think of legal remedy solely in terms of their 'day in court'. Courts are unlikely to innovatively interpret the law to create new and significant liabilities on corporate bodies. Also, courts are unsuitable to resolve systemic problems that affect a wide range of employees and companies as they inevitably resolve one case at a time. The representative character of legislatures and their mandate to carry out fundamental policy changes to widen the legal concept of corporate legal responsibility holds out promise of significant successes. However, just as a court strategy requires considerable forethought and planning, lobbying for legislative change requires a consistent and broadbased effort to persuade and convince legislators that the proposed changes are worthy of their time and likely to earn them a political dividend. ■

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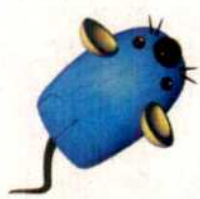

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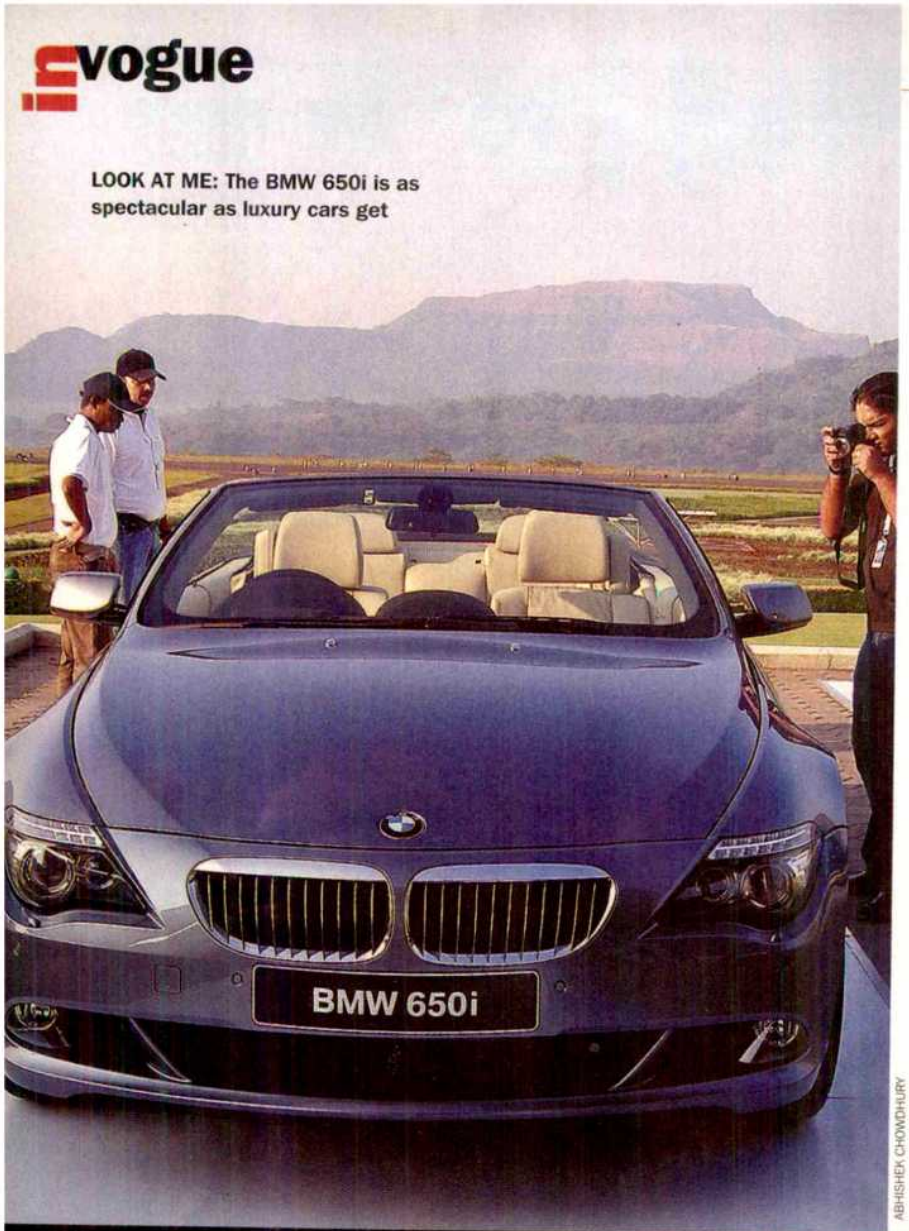

LOOK AT ME: The BMW 650i is as spectacular as luxury cars get

ABHISHEK CHOWDHURY

Religion, luxury or just cars

A ride on some of BMW's super-luxury cars and an auto show in Mumbai treat car lovers to a feast

ABHISHEK CHOWDHURY

HOW do you measure the ultimate driving experience? Is it the instant and satisfying responsiveness as you accelerate? Is it the powerful growl that can only be found under the hood of a BMW? Or the style, power and performance that puts a smile on your face? Sleekly designed, engineered with all the precision of the German car manufacturer — and expensive — BMW cars are vying to be the new hot rods in India. And why not? Rising incomes and purchasing power coupled with stockmarket-generated wealth opens up a whole new market for them, at least in the future. "The year 2007 was demanding for BMW India and at the same time the most successful market entry for BMW in any country recently," says Peter Kronschnabl, president of BMW India. "In absolute terms, India cannot compete with our high volume single markets yet. But the future belongs to India. If you want to benefit from the dynamics of the Indian market later, you need to act today. That is what we did."

BMW India is a 100 per cent subsidiary of the BMW group, which made an initial investment of Rs 110 crore in India, opening a production plant in Chennai. The plant produces the BMW 3 series and BMW 5 series sedans in both petrol and diesel variants. Its cur-

rent capacity is 1700 units per year on a one shift basis. Till mid-November 2007, BMW India delivered 1,100 vehicles to Indian customers, ahead of the targeted 1,000 cars by end-2007.

So when BMW India organised 'Discover driving pleasure', a signature driving experience at an airfield in Ambi Valley City near Pune, *BW* went along. The programme provided the participants an opportunity to experience the entire range of BMW cars launched in India. For eight hours, you could get acquainted with the latest know-how in driving skills and research, with training instructors guiding you every step of the way. There were three modules — the X Drive, driver training and a scenic drive.

The X Drive is about the off-road driving experience — standard for a sports utility vehicle — and controlling downhill descent in the X3 and X5 models. The remarkable agility and yes, grace, of a BMW with X Drive is impressive — combined with the first 'intelligent' all-wheel drive system and a built-in sense of direction that monitors the driving situation constantly, and distributes drive power smoothly between the axles. Think ballerina. As you drive, it analyses data from the on-board electronic systems, like the speed of wheel rotation, the steering angle, the torque output. It doesn't cut corners, just takes them smoothly at high speed. So if your front wheels threaten to skid towards the outer edge of the curve, the electronically controlled differential shifts drive power from the front to the rear axle within milliseconds. If the rear threatens to skid similarly, the shift of power from back to front is automatic.

The BMW is no ordinary car, and mere enthusiasm is not enough. To get the best thrills out of your driving experience, you should know what the machine is capable of. Which is where the driver training module comes in. We had to do 'exercises': a sort of telescoped course in braking techniques, steering, accident avoidance, a 'slalom' course, cornering styles, road hazard manoeuvring and low speed manoeuvring. For this, we used the sedans, both the 3 series and the 5 series.

Then came the icing on the cake: a scenic one-and-half-hour drive where it all came together, from Ambi Valley to Lonavala and back. We took to the road in all the cars: the BMW 3 Series, 5 Series, 6 Series and 7 Series to explore the sheer pleasure of power, agility and technology. On the twisty road, a BMW becomes an extension of the driver's nervous system, a finely crafted tool designed to maximise the joy of driving. It is on those twisty roads that the BMW will give you value for every hard-earned rupee you spend on it.

High-end cars have been the rage over the past two weeks. An 'Autocar Show' at the Bandra Kurla Complex in Mumbai showcased a collection of cars, bikes and loads of accessories. There were cars that cost serious money, with a phenomenal drool factor: the Rolls Royce drophead coupe, the Lamborghinis and Bentleys. Volvo put its four-wheel drive cars on show, and Hyundai unveiled its Santa Fe. Mahindra & Mahindra had an off-road track event, testing the 4X4 Mahindra SUV's performance on four surfaces — but there was no long drive to test the SUV. Dream machines, perhaps, but no fantasy. ■

Photographs: SUBHABRATA DAS

DREAM MACHINES: The autocar show in Mumbai showcased some of the most drool-inducing cars in the world from a bevy of manufacturers

BROWSING

Tehmasp Printer
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I am currently reading **DHANDHO INVESTOR** by **MOHNISH PABRAI**. A friend gifted it to me and that is how I ended up reading it.

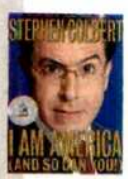
The book is about how one has to always calculate the intrinsic value of his stock, after which you should be able to play the game. I normally like to read non-fiction books.

I usually browse through bookstores for hours. I end up spending hours at Oxford, Crossword and bookstores at airports. Whenever I come across something interesting, I pick it up. ■

ALERT

I AM AMERICA (AND SO CAN YOU!)

By Stephen Colbert
(Grand Central Publishing)



Authored by the right-wing alter ego of the host of the immensely popular show, 'The Colbert Report', this book calls for an assertion of good old American values. Hilarious, if you like his particular brand of humour, and trying if you have no time for political satire. On cloning he says, "No free labour source is worth all this trouble." Also included is the transcript of Colbert's infamous speech at the 2006 White House dinner, in which he lambasted Bush and his administration. ■

A common

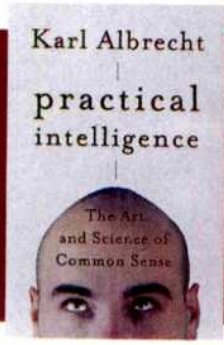
SHARMILA KATRE

MANY of us who grew up in the India of 1960s, 1970s and 1980s and strove to survive its typical environment of business, societal and other limitations, might not be too impressed by Karl Albrecht's new book, *Practical Intelligence: The Art and Science of Common Sense.*

We Indians have been blessed with oodles of common sense and practising the art of common sense is something that comes easily to us. Our elders, the senior members of the family, friends and business associates constantly remind us of the 'common-sensical' way of doing things. Asian societies, as a whole, have practised the art of common sense since time immemorial. Take for instance Lord Krishna's very practical instructions to Arjun regarding the principle of cause and effect. The Gita is perhaps the most common place book on the subject, with its emphasis on understanding a given situation and then being able to apply one's mind and actions logically in the most acceptable manner to the said situation.

One could categorise Albrecht's book as a treatise on self improvement. It is a kind of a guide on 'how to develop the ability to organise one's thinking to arrive at practical and acceptable decisions; identify problems and think through the solutions logically, ideate and develop the ability and language skills to logically convince others to accept the same'. It is a

REVIEW



PRACTICAL INTELLIGENCE
The Art and Science of Common Sense
By Karl Albrecht
Jossey-Bass
Pages: 396
Price: $27.95

Making social

FEROZ AHMED

STEVE Mariotti, founder of National Foundation for Teaching Entrepreneurship to Handicapped and Disadvantaged Youth Inc (NFTE), was just another financial analyst at Ford Motor Company when he lost his job. He decided to get even with Henry Ford by being the president of his own start-up trading company. But that was not to be his moment of epiphany. It came when he was mugged, while jogging in New York, by a bunch of poor boys who wanted mere $10 from him. He was shocked by the fact that people were willing to do crazy things for paltry sums of money and the incident left him terrified of both poverty and the poor. He closed business and became a teacher of entrepreneurship at schools in New York's ghettos, eventually starting the non-profit teaching business, NFTE. However, starting a social enterprise was just the beginning of his challenges: building an organisation, finding funds, competing for funds with other non-profit enterprises, recovering money, financial reporting to contributors followed as he tried to scale up a personal mission into an institution.

Mariotti's story is typical of social entrepreneurs. This book offers plenty of insights into the making and working of social enterprises. It focuses on the

sense approach

ook that is likely to appeal to the modern 'younger' generation of the new urban Indian society where nuclear families with working parents and a western education and lifestyle are the norm. With limited or no exposure to *dadima's* discourses on common sense, they are the ones who'll need the book the most.

brecht defines Practical Intelligence as "the mental ability to cope with the challenges and opportunities of life". He basically stresses on the need to keep things simple, focused, logical and therefore, practical. A high IQ is not necessarily a measure for good practical and social skills, he says.

Being knowledgeable is one thing, but to be able to think well, to communicate and to put ideas into practice requires applied or 'practical' intelligence. The book also dwells on and elaborates the idea of multiple intelligences — including 'abstract', 'social' and 'emotional' intelligence.

The book's language is easy to understand and use of buzz words and phrases such as 'mental software upgrade', 'mega-skills', 'terminal assumption', 'judgement zone', 'helicopter thinking' and 'practical altruism' makes it attractive to the modern young reader and business manager.

The book is well organised and flows easily from chapter to chapter, though the style of writing is close to that of corporate presentations and seminars. Albrecht uses plenty of examples, illustrations, stories, and exercises to elucidate his theories and their application. The books aims at improving the reader's practical intelligence skills and develop an applied and acceptable approach to problem solving in one's working and living environment. He even inlcudes a series of appendices and a "vocabulary for Practical Intelligence" at the end of the book that could double up as a ready reckoner for many.

The book is worth at least one reading as it helps one review many aspects of one's working and management style, which might have been neglected or taken for granted. It could help the modern manager review, understand and manage the work environment better by developing a fresh perspective and a practical approach to business and other functions. ■

KARL ALBRECHT is a world-renowned thinker, speaker and author on organisational and individual performance. He is the chairman of Karl Albrecht International and provides consulting services and seminars in Europe, the Middle East, Australia, as well as throughout the US. He is a prolific writer and has authored several books including *Service America!*, *The Northbound Train*, *Brain Power*, *The Power of Minds At Work*, and *Social Intelligence*

Sharmila Katre is with Third Eyesight, a retail consultancy

work profitable

entrepreneurial processes and innovations in commercial approaches to social work.

Social enterprises are proliferating as the philanthropy bug has bitten the insanely rich — the Bill Gates and Warren Buffetts of the world. According to the book, in the US, the country with entrepreneurship as its primary religion and where charity too must be run like a commercial enterprise, there are about 1.5 million non-profit businesses and their revenues add up to about $700 billion. The US model of philanthropy is beginning to pervade the world — in no small measure because a lot of funding for the world's social workers is coming from the US. Almost every large business school in the US now offers training in managing social enterprises.

The authors argue that social entrepreneurs, like commercial entrepreneurs, must maximise the available human and financial capital resources. However, typically, social enterprises rely on capricious financiers and volunteers, which makes them unsustainable. The new model of charity requires social work organisations to sustain themselves not just through donations but by generating revenues from their work itself. The biggest drag on a social enterprise is the time and energy spent on raising funds.

Messrs Wei-Skillern, Austin, Leonard and Stevenson have studied the typical problems of social enterprises — competing for philanthropic funding, earning money, forging alliances for funding and effectiveness in work, scaling up, and measuring performance — and they suggest ways to go about resolving these issues. Importantly, it is not a preacher's handbook. It is studded with case studies that engage and enlighten.

Overall, for a student of social entrepreneurship, it is an intelligent and useful read. ■

ENTREPRENEURSHIP IN THE SOCIAL SECTOR

By Jane Wei-Skillern, James E. Austin, Herman Leonard, Howard Stevenson

Sage Publications

Pages: 407; Price: $69.95

Bequeathing bankruptcy

OIL prices have shot up in the past three years. The Congress thinks that raising prices of petrol, diesel, kerosene and liquefied petroleum gas would make it lose votes and power. So it has not allowed their retail prices to go up although their feedstock costs have gone up enormously. Those costs have to be paid by oil refining companies. Since the central government forced them to hold back product prices, it should in fairness pay them what they lose on account of the price freeze.

That does not appeal to the finance minister. He inherited the Fiscal Responsibility and Budget Management Act, which called for a progressive reduction in the centre's fiscal deficit. If P. Chidambaram compensated the oil refiners for their losses, his revenue expenditure would go up, and he would have to renege on the commitment to repair the fisc. So initially he forced them to bear the losses themselves; they were profitable companies, he thought there was no harm if they made less profit. And he forced Oil and Natural Gas Corporation to bear some of the losses out of its profits on oil production. In short, he bled government oil companies to buy votes.

But loss of profit also has its cost. First, it reduces the attractiveness of investing in the oil companies, and hence their stock prices. Second, outside shareholders see that the oil companies are under the government's thumb and may be forced to do all sorts of irrational things; the government is an unscrupulous promoter who has no qualms about raiding the oil companies' coffers for its own convenience and enrichment. So they were put off even further from holding their shares.

Eventually, the government's demands on oil companies reached an unbearable level; if they rose any further, some of the public sector enterprises would have run out of cash, while others' growth prospects were being irretrievably harmed because of the ignominy they suffered amongst investors. So the government agreed, finally, to bear the losses it was inflicting on them. But the finance minister was still bent on meeting the FRBM target.

So he played a trick. He agreed to compensate the oil companies for their losses, but not immediately: he issued long-term bonds to them. In other words, with one hand he reimbursed their losses; with the other he took back the money, forcing them to lend it to him for 10 or 20 years. So on their books, the oil companies made no losses; the losses were balanced by a windfall of bonds. And in the central government's books, the finance minister took on a debt to the oil companies, but did not show the expenditure in the revenue account that created the debt. That was accounting sleight-of-hand. And he did not stop at cooking books. Because the oil companies priced products below cost, Reliance also had to do so. But Chidambaram did not compensate Reliance; it had to subsidise consumers at its own cost. It could hardly afford to do so; so it had to export the bulk of its production.

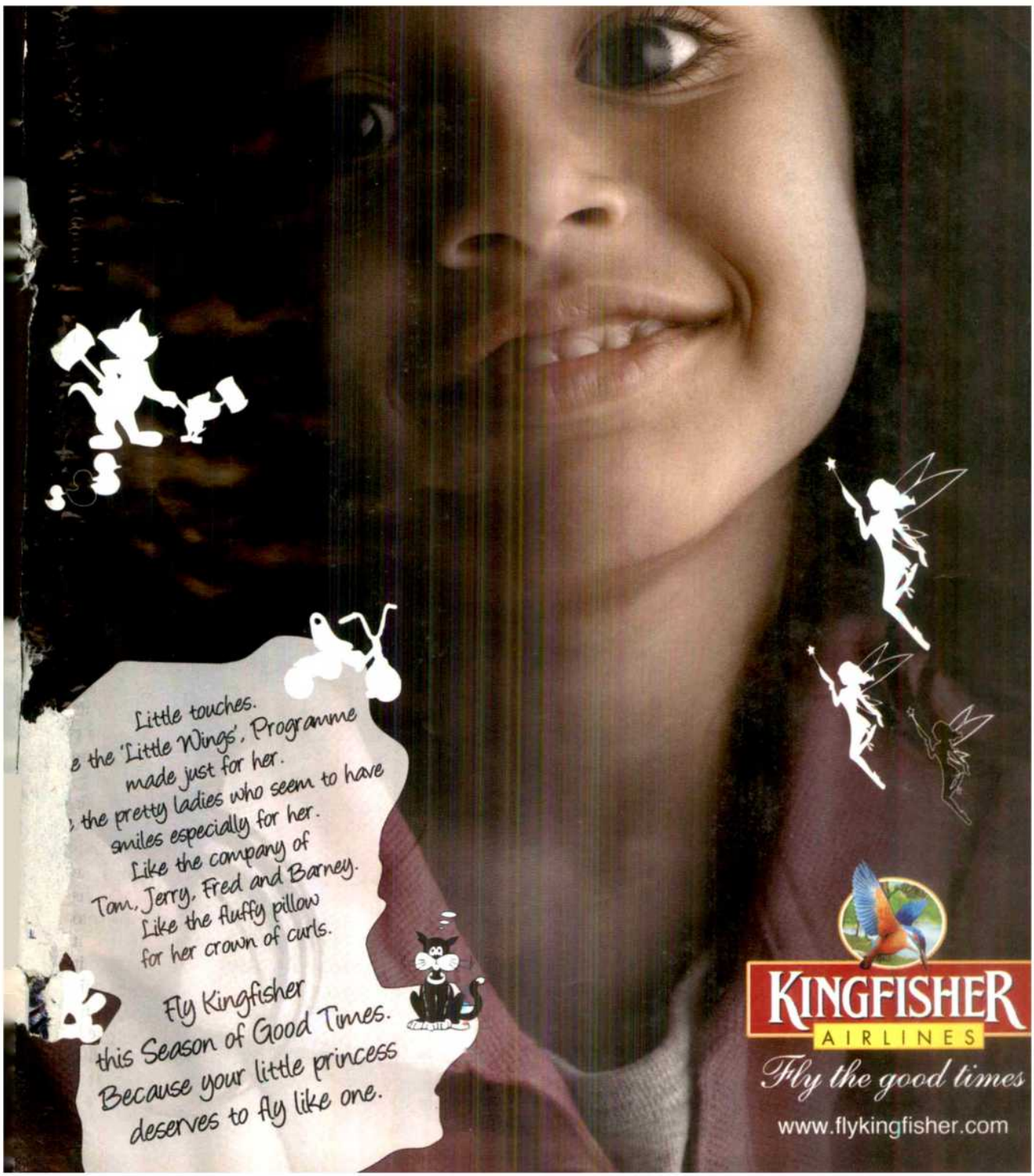
And the bonds did not solve the oil companies' liquidity problem; they needed to pay their workers, oil suppliers, the railways and so on, none of whom would take government bonds in payment for their dues. So they have been hawking the bonds which no one wants.

Honestly, the finance minister should reimburse oil companies for the subsidies he makes them pay to consumers, and show it in the budget

AMIT VERMA

They discovered that they were not the only hawkers on the street. Earlier, various ministries such as the ministry of rural development had been raiding the godowns of the Food Corporation of India and taking away foodgrains for programmes like lunches for children, and not paying for them. They found it a convenient way of getting hold of foodgrains without paying for them. They could not have paid for the food without getting an allocation in the budget, and the finance ministry would not make an allocation because it would raise the fiscal deficit and spoil its image. So it issued FCI as well with bonds. FCI too ran into a liquidity problem as a result, and went around hawking the bonds to scarce buyers.

This trickery fools no one except the finance minister. It is financially wrong to create debt and not to show why the money was borrowed. The debt creates an expenditure stream for the next 10 or 20 years on account of the interest to be paid on it; and at the end of the period it has to be repaid. The purpose of reducing the fiscal deficit is to slow down the rise in public debt, and eventually pay it off. Oil and food bonds do not increase the fiscal deficit according to the misleading accounting practice of the finance ministry, but they do increase debt. If the government wants to give subsidies, it should bear the cost itself, and charge it to its regular budget, whatever may be the impact on the fiscal deficit and the central debt. That is the only honest way. ■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